(A-12) Seat No.:________ No. of Printed Pages : 2

SARDAR PATEL UNIVERSITY
B.B.A. (ITM) SEMESTER: VIII EXAMINATION (2010 Batch) (NC)
2017
Friday, 10th March
02:00 P.M. To 04:00 P.M.

UM08EBBI03: FUNDAMENTALS OF INTERNATIONAL FINANCE - II

Total Marks: 60

Note: 1. Figure to the right indicate full marks of question.
2. All questions carry equal marks.
3. Working notes are the part of answer.

Q-1 Write a note on: [15]

1. Basic frame work of Multinational capital budgeting.
2. Incorporating Countries risk analysis in International capital budgeting

OR

Q-1 Explain any four issues in international capital budgeting. [15]

Q-2 Explain any three techniques of project evaluation criteria. [15]

OR

Q-2 An Indian company is planning to set up a subsidiary in the US. The initial project cost is estimated to be US dollar 400 million; working capital requirements are estimated at US dollar 40 million. The Indian company follows the straight-line method of depreciation. [15]

The finance manager of the Indian company estimated data in respect of the project as follows:

1. Variable cost of production and sales $25 per unit.
2. Fixed cost per annum are estimated at $30 million
3. Plant will be producing and selling 5 million units at $100 per unit
4. The expected economic useful life of the plant is 5 years with no salvage value.

The subsidiary of the Indian company is subject to 40% corporate tax rate in the US and the required rate of return of such a project is 12%. The current exchange rate between the two countries is Rs. 48/US dollar and the rupee is expected to depreciate by 3% p.a. for the next 5 years. The subsidiary will be allowed to repatriate 70% of the CFAT every year along with the accumulated arrears of blocked funds at year-end 5, the withholding taxes are 10%. The blocked funds will be invested in the USA money market by the subsidiary, earning 4% (free of tax) per year.

(P.T.O.)

Determine the feasibility of having a subsidiary company in the USA, assuming no tax liability in India on earnings received by the parent from the US subsidiary.

Q-3 Discuss cost of capital across countries along with country differences in cost of debt and cost of equity. [15]

OR

Q-3 (A) The following information is taken from the books of SHIVAY limited. [08]

Particulars	**Amount (Rs.)**	**Specific Cost after tax (%)**
Equity Capital	36,00,000	9.00
14% Pref. capital	4,00,000	7.00
10% Debentures	16,00,000	5.00
Retained Earning	24,00,000	7.00

(B) What are the differences in the estimation of cost of debt? [07]

Q-4 What are the steps are taken by multinational corporation to manage cash and near cash assets? - Explain. [15]

OR

Q-4 Write a note on: [15]

1. Inventory management in context of MNC
2. Receivable Management in context of MNC.

All the Best

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