[This question paper contains 2 printed pages.]

Your Roll No................

Sr. No. of Question Paper : 1371 **L**

Unique Paper Code : 2923062021

Name of the Paper : Multinational Business Finance

Name of the Course : **Bachelor of Management Studies (NEP)**

Semester : VIII

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **FIVE** questions.
3. **All** questions carry equal marks.
4. Use suitable assumptions wherever required.

Q1. a) Explain the concept and features of Multinational Corporations (MNCs). **(8 Marks)**

b) Discuss the motives for international financial management and how it differs from domestic finance. **(10 Marks)**

Q2. a) Critically examine the Bretton Woods System and reasons for its collapse. **(10 Marks)**

b) Explain the role of any **two** of the following institutions: **(8 Marks)**
- IMF
- Asian Development Bank (ADB)
- Bank for International Settlements (BIS)
- OECD

Q3. a) A bank quotes ₹48.72 – ₹48.94 per US dollar.
Calculate:
- Bid rate
- Ask rate
- Spread
- Spread percentage **(4 Marks)**

b) One-year US nominal interest rate is 5% , one-year Indian nominal interest rate is 10%. The current spot rate S0, is Rs. 49.50. What is the expected spot rate one year hence if IRP holds? **(4 Marks)**

c) Currently, the spot exchange rate is \$ 1.50/£ and the three-month forward exchange rate is \$ 1.52/£. The three month interest rate is 8.0% p.a. in the U.K. Assume that you can borrow as much as \$ 1,500,000 or £ 1,000,000.
a. Determine whether the interest rate parity is currently holding.
b. If the IRP is not holding, how would you carry out covered interest arbitrage? Show all the steps and determine the arbitrage profit.
c. Explain how the IRP will be restored as a result of covered arbitrage activities.

(3+3+4 = 10 marks)

Q4. The spot rate of USD is ₹50 and 3-month forward rate is ₹50.80.
Calculate the annualized forward premium. **(4 Marks)**

a) An Indian firm has the following exposures:

Receivables:
- UK: £ 4,000,000
- USA: \$ 2,500,000

Payables:
- Germany: € 3,000,000
- Italy: € 2,000,000

Exchange rates:
\$1.6/£ and \$1.25/€
₹1\$ = ₹46
Required:
i) Convert all exposures into USD
ii) Calculate net exposure
iii) Find INR value of net position
iv) Briefly explain how netting reduces exchange risk **(14 marks)**

Q5. a) Discuss how capital structure decisions differ in multinational firms. **(8 Marks)**

b) Explain the challenges and techniques in foreign investment analysis and capital budgeting. **(10 Marks)**

Q6. Write short notes on **any three:** **(3*6 = 18 marks)**
- Leading and Lagging
- European Monetary System
- Fixed vs Flexible exchange rate system.
- FIIs and their impact on stock market volatility.