

- (d) A multinational organisation has proposal involves \$ 5000000. The net cash inflow 1st year \$ 3000000, 2nd year, \$ 3500000 and 3rd year \$ 2500000. In how many years firm recovers its initial investment ?

7

**SECTION—C**

5. Capital structure of an MNC is given below. Calculate Weighted Average Cost of capital on the basis of Book value weights and market value weights.

**[Book-Value]**

Sources	Amount (\$ million)	Specific Cost [Percent]
Equity Share Capital	30	15
Retained Earnings	10	12
Preference Shares	15	13
Debt [ $D_1$ ]	20	08
Debt [ $D_2$ ]	25	06
	<u>100</u>	

Market Value weights :—

	\$ Million	
Equity Share Capital	50	
Preference Shares	15	
Debt ( $D_1$ )	22	
Debt ( $D_2$ )	24	14

**M.B.A. Semester—III Examination**  
**INTERNATIONAL FINANCIAL MANAGEMENT**  
**Paper—MBA/3104/F**

Time : Three Hours]

[Maximum Marks : 70

Note :—(1) Attempt ALL questions.

(2) Figures to the right indicate marks.

**SECTION—A**

1. (a) What do you understand by international monetary system ? In a view of present globalisation process state distinguishing problem faced by MNC under International Monetary System. 14

**OR**

- (b) Do you agree that floating exchange rate regime is a better option than the fixed exchange rate regime ? 14

**SECTION—B**

2. (a) How are investment decisions of multinational company different from that of domestic company ? 7

- (b) The motivation of MNCs for investing in developing countries differs from that for investing in developed countries. You are required to explain factors that motivate MNCs to invest in developing countries.

7

**OR**

- (c) Explain nature of long-term investment decisions. And also discuss factors that are considered before long-term investment in International markets. 7
- (d) The Sports Exports Company produces footballs and exports them to a distributor in the United Kingdom. It typically sends footballs in bulk and then receives payment after the distributor receives the shipment. The business relationship with the distributor is based on trust. Although the relationship has worked this far, Jim Logan [Owner of the Sports Exports company] is Concerned about the possibility that the distributor will not make its payment. How could Jim Logan use Letter of Credit to ensure that distributor will be paid for the products he exports ?

7

3. (a) Discuss techniques used for management of foreign exchange exposure. 7

- (b) For multinational companies, Political risk refers to the risk that host country will make Political decisions that will prove to have adverse effects on the multinational's Profit or goals. So how can multinational companies minimize political risk ? 7

**OR**

- (c) What do you mean by political risk ? Explain different types of political risk. 7
- (d) Your company has named you as head of the group studying political risk and its effect on company's operations. Discuss in which way political risk affect company's operations. 7
4. (a) Discuss different capital budgeting decision analysis techniques. 7
- (b) A project involves initial investment for \$ 10,000,000 and net cash inflow during first, second, third and fourth year expected respectively \$ 3000000, \$ 3,500000, \$ 4000000 and \$ 2000000. The risk-adjusted discount rate is 10 percent. Calculate Net Present Value. 7

**OR**

- (c) Explain factors affecting dividend decision of the multinational firm. 7