PGDM 2019-21
International Financial Management
DM 415
Trimester – IV, End-Term Examination: September 2020

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: ____________

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered Or Maximum 6 questions with internal choices and CILO covered (as an example)	3*10 Or 6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			50

Section A

1) Dell Computer produces its machines in Asia with components largely imported from the United States and sells its products in various Asian nations in local currencies.

a. What is the likely impact on Dell's Asian profits of a strengthened dollar? Explain.
b. What hedging technique(s) can Dell employ to lock in a desired currency conversion rate for its Asian sales during the next year?
c. Suppose Dell wishes to lock in a specific conversion rate but does not want to foreclose the possibility of profiting from future currency moves. What hedging technique would be most likely to achieve this objective?
d. What are the limits of Dell's hedging approach? **CILO :1**

OR

Assume that the euro spot rate has moved in cycle over time. How might you try to use future contracts on euro to capitalize this tendency How could you determine whether such a strategy would have been profitable in previous periods **CILO :1**

2) Black & Decker, the maker of small, hand-held power tools, finds that when it builds a plant in a foreign country, sales of both its locally manufactured ? How roducts and its exports to that country grow. What could account for this boost in sales? Consider the likely

reactions of customers, distributors, and retailers to the fact that Black & Decker is producing there. **CILO 2**

OR

Long term interest rates in some Latin American countries tend to be much higher than those of industrialized countries. Why do you think that some projects in these countries are feasible for local firms even though the cost of funding the project is so high? **CILO 2**

3) Suppose today's exchange rate is \$1.05/€. The six-month interest rates on dollars and euros are 6 percent and 3 percent, respectively. The six-month forward rate is \$1.0478. A foreign exchange advisory service has predicted that the euro will appreciate to \$1.0790 within six months.

a. How would you use forward contracts to profit in the above situation?

b. How would you use money market instruments (borrowing and lending) to profit?

c. Which alternatives (forward contracts or money market instruments) would you prefer? Why? **CILO 3**

OR

La Salle Corporation is a US Based MNC with subsidiaries in various lass developed countries where stocks are not well established . How can La Salle still achieve its global target capital structure of 50% debt and 50% equity , if it plans to use only debt financing for the subsidiaries in these countries **CILO 3**

Section B

The sports export company has been successful in producing footballs in the United States and exporting them to the United Kingdom. Recently Jim Logan (owner of sports company) has considered restructuring his company by expanding throughout Europe. He plans to export footballs and other sporting goods that were not already popular in Europe to one large
goods sporting goods distributor in Germany; the goods will then be distributed to any retail sporting goods stores throughout Europe that are willing to purchase these goods. This distributor will make payment in Euro to the sports Export Company.

1. Are there any reasons why the business that has been so successful in United Kingdom will not necessarily be successful in other European countries?

2. If the business is diversified throughout the Europe will this substantially reduce the exposure of Sports Export Company to the Exchange Rate Risk?
3. Now that several countries in Europe participate in single currency system, will this affect the performance of new expansion through the Europe?