

Roll No. _____

University of Pune
Department of Management Sciences (PUMBA)
Executive MBA
2nd Year External Exam May - 2013
403(B) International Finances

Time: 2.30 hrs

Marks: 50

Instructions

Question No 1 is compulsory.

Answer any four questions of Question 2 to question 7.

Each question is for 10 marks.

1. Zeda, Inc., a U.S. MNC, is considering making a fixed direct investment in Denmark. The Danish government has offered Zeda a concessionary loan of DKK15,000,000 at a rate of 4 percent per annum. The normal borrowing rate is 6 percent in dollars and 5.5 percent in Danish krone. The loan schedule calls for the principal to be repaid in three equal annual installments. What is the present value of the benefit of the concessionary loan? The current spot rate is DKK5.60/\$1.00 and the expected inflation rate is 3% in the U.S. and 2.5% in Denmark
2. Explain the importance of IBRD in attempting to bring equality amongst nations.
3. The IMF has evolved into a very strong institution for helping nations overcome short term liquidity difficulties – Comment
4. Explain the different risk management tools available for corporates to protect them from international financial risk.
5. Letters of credit increase the cost of the transaction; however, they are important for conducting import export business. Justify.
6. Explain the exchange rate mechanism under the gold standard and the dollarised gold standard
7. Write short notes on any two:
 - a. Forwards Versus Futures
 - b. Options
 - c. Interest rate swaps and currency swaps