**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session14-12-2022 ( 9am)

**B.Com – V SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**BCDEF5618- INTERNATIONAL FINANCE**

**Time- 2 1/2 hrs Max Marks-70**

**This paper contains two printed pages and four parts**

**SECTION-A**

**Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)**

1. What Is Currency Depreciation?
2. What is cross rate?
3. What is FCCB’s?
4. Give the meaning of mixed fund
5. How do you calculate adjusted NPV?
6. What is the meaning of arbitrage process?

**SECTION- B**

**Answer any THREE of the following questions. Each question carries five marks. (3x5=15)**

1. How to manage currency volatility when making international payments?
2. Calculate the cross-rate between the Canadian Dollar (CAD) and the South African Rand (ZAR), using the US Dollar as the common currency. The Canadian Dollar and Rand are quoted as:

USD / CAD = 1.58850 1.58880

USD / ZAR = 11.0500 11.1250

1. Differentiate between Domestic and International finance.
2. Write a short note on IMF.

**SECTION -C**

**Answer any two of the following questions. Each question carries fifteen marks. (2x15=30)**

1. Differentiate between forward and futures contract.
2. What is FDI? Discuss the advantages and disadvantages of FDI.
3. GX Corp has no existing business in Japan but is considering the establishment of a subsidiary there. The following information is given to asses this project.

The initial investment in plant required is JPY60 million. The existing spot rate is $ 0.20, the initial investment in Dollars is $12 million. The project will be terminated at the end of year 3, when the subsidiary will be sold at 60% of the initial cost. The price, demand and variable cost of the product in Japan are follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Price | Demand | Variable Cost |
| 1 | JPY 700 | 60,000 Units | JPY 25 |
| 2 | JPY 725 | 70,000 Units | JPY 30 |
| 3 | JPY 770 | 85,000 Units | JPY 40 |

The fixed costs are estimated to be JPY 3 million every year.

The exchange rate of the Japanese Yen is expected to be $ 0.22 at the end of year 1, $0.25 at the end of year 2 and $ 0.28 at the end of year 3.

The Income tax rate is 30% for all the companies in Japan.

The Japanese government will impose a withholding tax of 8% on earnings remitted by the subsidiary.

The plant and equipment are depreciated over 10 years using straight line depreciation.

You are required to assess the project and suggest should GX Corp accept this project?

**SECTION -D**

**Answer the following compulsory question. The question carries fifteen marks. (1x15=15)**

14. What is exchange rate? Explain the impact and various determinants of exchange rate.

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