

MBFM 4002

M.B.A. DEGREE EXAMINATION,
DECEMBER 2014/JANUARY 2015.

Fourth Semester

MBA (Finance)

GLOBAL FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

1. Define Globalization.
2. Write a note on GATT.
3. What is meant by Balance of Payments?
4. Bring out the significance of the Current Account.
5. Mention the instruments of International Financial Markets.
6. Explain GDRs and ADRs.
7. Write a note on Transaction Exposure vs. Translation Exposure.
8. What are the various forms of FDI's?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of the following.

9. Explain the goals of International Financial Management and the scope of International Finance.
10. Describe the Organization and role of WTO.
11. Discuss the Balance of Payments Account of India.
12. Explain the sources of International Funds.
13. Write an essay on Euro Bonds.
14. Explain the types of Currency Risk and the Management of Currency Risk.
15. What are the various strategies for managing Exchange Risk?
16. Analyse the effects of FDI in India.

PART C — (1 × 20 = 20 marks)

Compulsory

17. Case Study.

The Kellogg Company is the world's leading producer of ready-to-eat cereal and other snacks. The principal markets for these products include the U.S. and the U.K. Kellogg's operations are managed in two major divisions - U.S. and International- with International further

delineated into Europe, Latin America, Canada, Australia, and Asia. Net earnings for fiscal year 2000 were USD 587.7 million on sales of USD 6.95 billion. Kellogg estimated that the overall impact of a strong USD against the major currencies, especially against the EUR and GBP, on operating profits was 6%. Kellogg estimated that, by region, the impact on operating revenue was -9.1 %, in Europe, and -2.0%, in Latin America.

According to Kellogg's financial statements, the company is exposed to fluctuations in foreign currency cash flows related primarily to third party purchases, intercompany product shipments, and intercompany loans. The company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the company is exposed to volatility in the translation of foreign currency earning to USD.

Explain in detail the different types of currency risk faced by Kellogg's company.