points more than they can get on the benchmark five-year U.S. Treasury note. BFV analysis calculates that the bond is worth $100,145 on a $100,000 bond, compared with the reoffer price of $100,320. Anything within a $500 range on a $100,000 bond more or less than its BFV price is deemed fairly priced. Sara Lee is rated "AA-" by Standard and Poor's Corp. and "A1," one notch lower, by Moody's Investors Service.

In July 1994, Sara Lee's Netherlands division sold 200 million Dutch guilders ($127 million) of three-year bonds at 35 basis points over comparable Netherlands government bonds. In January, its Australian division sold 51 million British pounds ($78 million) of bonds maturing in 2004, to yield 9.43 percent.

(a) What thoughts do you have about Sara Lee's debt-financing strategy?

(b) Suggest your model of financing Sara Lee's finance requirements.

MBFM 4002

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Fourth Semester

Finance

GLOBAL FINANCIAL MANAGEMENT

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of Eight questions.

1. How does Global financial market differ from domestic financial market?

2. Explain the role of WTO in promoting world trade.

3. What is capital account in the BOP? Explain its importance relating to India's trade deficit.

4. Give a brief account on international bond market instruments.

5. What is transaction exposure? Explain with suitable examples.

6. Distinguish between foreign bond and international bond.

7. Give a brief account on the functions of IMF.

8. What is the purpose of overseas investment and state its forms?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of Eight questions.

9. What is currency risk? What are the types of exposure in global financial management?

10. Trace the growth and recent development in European Monetary system.

11. Discuss the methods of short term financing for multinational business firms.

12. State the advantages and disadvantages of FDI to a host country.

13. BOP problems have their direct impact on exchange rates between countries. Comment with Indian perspective.

14. Discuss the nature of political risk and state the methods for measuring and managing political risk.

15. Give a detail account on the birth and collapse of Bretton woods system.

16. What is meant by operating exposure? How do you hedge real operation exposure?

PART C — (1 × 20 = 20 marks)

Case Study — Compulsory

17. Sara Lee Corp. is serving up a brand name and a shorter maturity than other recent corporate borrowers to entice buyers to it's first-ever dollar Eurobonds. The U.S. maker of consumer products, from Sara Lee cheesecake to Hanes pantyhose and Hillshire Farm meats, is selling $100 million in bonds with a 6 percent coupon. These are three-year bonds; other corporate bond sellers including Coca-Cola Co., Unilever NV, and Wal-Mart Stores, Inc. have concentrated on its five-year maturities.

"It is a well-known name and it is bringing paper to a part of the maturity curve where there is not much there," said Noel Dunn of Goldman Sachs International. Goldman Sachs expects to find most buyers in the Swiss retail market, where "high-quality American corporate paper is their favourite buy," Dunn said. These are the first bonds out of a $500 million Eurobond program that Sara Lee announced in August 1995, and the proceeds will be used for general corporate purposes, said Jeffery Smith, a spokesman for the company.

The bond is fairly priced, according to Bloomberg Fair Value analysis, which compared a bond with similar issues available in the market. The bond offers investors a yield of 5.881 percent annually or 5.797 percent semi-annually. That is 22 basis