

Roll No



**PRESIDENCY UNIVERSITY
BENGALURU**

**SCHOOL OF COMMERCE
MAKE-UP EXAMINATION - SEP 2023**

Semester : Semester VI - 2020

Course Code : BFS108

Course Name : Sem VI - BFS108 - International Banking and Finance

Program : B.Com. Honors

Date : 30-SEP-2023

Time : 1.00PM - 4.00PM

Max Marks : 100

Weightage : 50%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ALL THE FOLLOWING QUESTIONS

10 X 2 = 20M

1. Define Letter of Credit.
(CO1) [Knowledge]
2. What is currency peg ?
(CO2) [Knowledge]
3. Define ADR
(CO3) [Knowledge]
4. Define Bill of lading.
(CO4) [Knowledge]
5. Do capital control measures benefit the foreign investors (MNC)?-- Justify.
(CO5) [Knowledge]
6. How a recipient country benefits from foreign direct investment?
(CO1) [Comprehension]
7. Define Tax Havens
(CO3) [Comprehension]
8. "Due to different nationalities of shareholders in a multinational corporation, the maximisation of shareholders wealth implies the sacrifice of minority interest and unjust welfare of one nation at the cost of another nation". Comment.
(CO4) [Comprehension]

9. If a firm has an asset and a liability denominated in two different currencies, How can it eliminate the exchange rate risk?
(CO5) [Comprehension]
10. Differentiate among hedgers, speculators and arbitrageurs.
(CO4) [Comprehension]

PART B

ANSWER ALL THE FOLLOWING QUESTIONS

4 X 10 = 40M

11. In India, Marginal propensities to save and import are 25% and 10%, respectively. What changes in national income are expected if the Government of India decides to increase its expenditure by Rs.100 crore to boost the local economy? If the Government of India decides to ban import of goods, what growth in national income do you see? How would the foreign exchange reserve position of India get affected by the decision of the Government ?
(CO1) [Comprehension]
12. The Nathan Cummings Foundation Investment Committee and Board of Trustees had studied the decision to go "all in" on a mission-related investment approach. The Board voted 100% to support this new direction and new goals for financial investments, but many questions remained. How could NCF operationalize and integrate this new strategy? What changes would it need to make to support the investment strategies' long-term success? How could NCF measure and track its progress and success with this new strategy?
(CO2) [Comprehension]
13. Comment on the following statement :
- The markets of Foreign exchange are good for the currencies that are subject to control by the Government.
 - Forward markets are extremely inefficient when compared with futures market.
 - Futures contract are no good as they cannot offer perfect hedge.
- (CO4) [Comprehension]
14. What impact would the following events have on India's balance of payment if:
- Indian government provides cash compensatory support for export of leather?
 - Reserve bank of India increases rates of deposits for non-resident Indians?
 - USA imposes a quota on import of garments from India?
- (CO5) [Comprehension]

PART C

ANSWER ALL THE FOLLOWING QUESTIONS

2 X 20 = 40M

15. Purchasing power parity and exchange rates:
Assume that price indices in India and Britain for a common basket of goods are as follows:

Year	India	Britain
2006	2,000	45
2009	2,750	54
2012	3,450	65
2015	3,725	73

- What would be your estimate of the exchange rate of Indian rupee with British pound in various years?
- If the actual exchange rate in 2012 happens to be Rs.54.50/POUNDS, which of the currencies is overpriced and by how much, if purchasing power parity is assumed to hold?

(CO5) [Comprehension]

16. Metalclad Corporation case in Mexico is a well-cited case of expropriation by Mexican government. Metalclad, a US corporation operating through its Mexican subsidiary received a permit by the Federal Government of Mexico to construct hazardous waste landfill in Guadalcazae. The place where the landfill was allocated had an unstable soil allowing for easy filtration and contamination of deep waters. The location was also an area of unique biological diversity. Five months after the company started construction, it received a notice that the company required an additional municipal permit. The company applied for the permit and it was turned down by the municipality of Guadalcazae. Additionally the Governor issued a decree declaring that the area. Metalclad issued proceedings before the international centre for settlement of Investments Disputes (ICSID) claiming 'Expropriation'. The Tribunal held that the actions of local government and the ecological decree were to be considered as an Indirect expropriation. As a result, the investment made by Metalclad was held to be totally lost. The compensation ordered by the tribunal, payable by Mexico, was US\$16.7 million.

Questions:

- a. What are the similarities and dissimilarities in assessing a corporate rating and country rating?
- b. what are the different factors considered in assessment of country risk?
- c. What are the strategic ways of managing political risk?

(CO4) [Application]