

Q-1 Answer the following. (Any Five)

[10]

1. What are the measurements of political risk?
2. What are the key indicators of country risk and economic wealth?
3. Write the steps of the process of overseas expansion by MNCs.
4. What is meant by spot exchange rate and forward exchange rate?
5. What are the three factors for nature of money current value?
6. One 330 ml coca cola costs Rs. 40 in India and the same costs £0.65 in UK. If PPP holds, what should be the exchange rate between £ and Rs.

Q-2 Answer the following. (Any Two)

[20]

1. 'Cost minimizers are a recent category of multinationals that seek out and invest in lower cost production sites overseas.' Illustrate.
2. 'International diversification can reduce the volatility of an investment portfolio because national financial markets tend to move independently of each other.' – Discuss.
3. Comment on the statement "It makes sense to borrow during times of high inflation because you can repay the loan in cheaper money".

Q-3 Answer the following in detail. (Any Two)

[20]

1. What advantages does MNCs seek to attain from its international business activities?
2. Discuss the central bank reputations and currency values.
3. Calculate the following examples:
 - a. The interest rate in the India is 8%, in USA the comparable rate is 7%. The spot rate for the Dollar is Rs. 64.87 (\$0.01542/Rs.). If interest rate parity holds, what is the 90-day forward rate?
 - b. The exchange rate between \$ and Rs. Was \$1=Rs. 45.70 on January 2011 and that on December 2014 was \$1 = Rs. 62.85. During the same period the inflation in India rose from 107.1 to 146.6 and Inflation in US moved from 126.143 to 133.926 if PPP had over this period, what should be \$/Rs. exchange rate in December 2014?