

Course Code: 23MB4EF02
BONAM VENKATA CHALAMAYYA INSTITUTE OF TECHNOLOGY & SCIENCE
(AUTONOMOUS)
II –MBA II-Semester Model Paper (BR23), May - 2025
GLOBAL FINANCIAL MANAGEMENT (MBA)

Time: 3 hours

Max. Marks: 70

PART - A Answer ONE Question from each UNIT (5 x 12 = 60 Marks)

All Questions Carry Equal Marks

PART - B Compulsory (1 x 10 = 10 Marks)

PART –A

UNIT-I		Marks	CO	BL
1.a)	Identify the three causes of south-east Asian crisis.	6M	CO1	BL3
b)	Explain European monetary system in detail.	6M	CO1	BL2
OR				
2.a)	Summarise the other types of exchange rate regime.	6M	CO2	BL2
b)	Illustrate the role of Asian Development Bank.	6M	CO2	BL2

UNIT-II		Marks	CO	BL
3.a)	Give the differences between transaction and operating exposure.	6M	CO3	BL2
b)	Define exchange rate and discuss exchange rate quotations.	6M	CO3	BL2
OR				
4.a)	What are the determinants of currency options? Explain.	6M	CO3	BL2
b)	Distinguish between spot rate and forward rate. How do you calculate the outright forward rate?	6M	CO3	BL4

UNIT-III		Marks	CO	BL
5.a)	Outline and explain the features of floating rate notes.	6M	CO4	BL2
b)	Explain Euro commercial papers.	6M	CO4	BL2
OR				
6.a)	Examine the procedure of issue of GDR.	6M	CO4	BL4
b)	Illustrate floating rate and Stripped Bonds.	6M	CO4	BL2

UNIT-IV		Marks	CO	BL
7.a)	Explain Certainty Equivalent method.	6M	CO5	BL2
b)	How the political risk assessment can be done? Explain.	6M	CO5	BL2
OR				
8.a)	What do you mean by inflation risk?	6M	CO5	BL1
b)	Examine the effects of purchasing power risk.	6M	CO5	BL4

UNIT-V		Marks	CO	BL
9.a)	List and Explain the objectives of IASB.	6M	CO6	BL4
b)	Explain concept of Re-Sale price method in Transfer pricing.	6M	CO6	BL2
OR				
10.a)	Describe the prerequisites for performance evaluation.	6M	CO6	BL2
b)	Identify and discuss the disclosure of consolidated financial reporting.	6M	CO6	BL3

PART – B

	CASE STUDY	Marks	CO	BL
11	<p>Case Study: GL Electronics' Expansion into Brazil</p> <p>Background</p> <p>GL Electronics, a U.S.-based consumer electronics company, planned to expand into Latin America by setting up a manufacturing plant in Brazil. The decision was driven by the growing demand for electronics in Brazil and the potential cost savings from local production. While the expansion seemed profitable, GL Electronics faced several financial risks, including:</p> <ul style="list-style-type: none"> • Exchange Rate Risk – The Brazilian Real (BRL) fluctuated against the U.S. Dollar, affecting profit margins. • Political and Economic Risk – Government regulations and inflation in Brazil could impact the cost of doing business. • Repatriation Risk – Converting profits from BRL to USD could lead to losses if the Real depreciated significantly. <p>To mitigate these risks, GL Electronics adopted the following strategies:</p> <ul style="list-style-type: none"> • Local Financing – Instead of bringing in capital from the U.S., the company secured loans from Brazilian banks in BRL, reducing currency exposure. • Joint Venture with a Local Firm – Partnering with a well-established Brazilian electronics company helped in navigating regulations and local market challenges. • Hedging Strategies – GL Electronics used currency options to hedge against exchange rate fluctuations. <p>By carefully planning its investment and managing financial risks, ABC Electronics successfully established its presence in Brazil. The local financing strategy helped minimize currency risk, while the joint venture allowed smoother operations.</p> <p>Questions</p> <ol style="list-style-type: none"> 1. What are the benefits of using local financing for a multinational company? 2. How can a company protect itself from currency risk when expanding globally? 3. What other financial risks should GL Electronics consider when operating in a foreign country? 	10M	CO3	BL4
