UPES
UNIVERSITY WITH A PURPOSE

Roll No: ----------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2018

Program: BBA (Spl. Finance & Accounting) | **Semester : V**
Subject (Course): International Finance | **Max. Marks : 100**
Course Code : BBCF 144 | **Duration : 3 Hrs**
No. of page/s: 3

Section – A Attempt all the questions			
1.	Write short note on Letter of Credit and draw the diagram of 3 parties involving LOC?	**5**	**CO1**
2.	Who are the market players in the derivative market?	**5**	**CO4**
3.	Explain some of country risk assessing techniques?	**5**	**CO3**
4.	Explain the methods of Translation?	**5**	**CO2**
Section – B Attempt all the questions			
5.	What is currency futures? Write a brief note about the functions of futures markets?	**10**	**CO4**
6.	Discuss about the capital structure decision and factors affecting the capital structure?	**10**	**CO3**
Section – C Attempt all the questions			
7.	1. Find the payback period for the following investments a) A company is considering to invest in the construction project. The project will require an initial investment of $1,60,000 and is expected to generate the following cash flows thereafter: **Year** / **$** 1 / 30,000 2 / 110,000 3 / (40,000) 4 / 200,000 5 / 80,000 6 / 100,000 7 / 60,000 b) Mr. Ratan is considering investing in Farm which cost Rs 250,000 and its cash flows are follows:	**15**	**CO2**

	<table><tr><th>Years</th><th>Cash flows</th></tr><tr><td>1</td><td>(50,000)</td></tr><tr><td>2</td><td>80,000</td></tr><tr><td>3</td><td>130,000</td></tr><tr><td>4</td><td>110,000</td></tr><tr><td>5</td><td>(100,000)</td></tr><tr><td>6</td><td>160,000</td></tr><tr><td>7</td><td>200,000</td></tr></table>		
8.	A project requires an initial investment of **$450,000** and is expected to generate the following net cash inflows: <table><tr><td>**Years**</td><td>**1**</td><td>**2**</td><td>**3**</td><td>**4**</td></tr><tr><td>**Cash inflows**</td><td>**100,000$**</td><td>**135,000$**</td><td>**90,000$**</td><td>**70,000$**</td></tr></table> The cost of capital for investment is **14%.** Find the IRR for project	**15**	**CO3**
	Section – D		
9.	Nike, the U.S.-based company with a globally recognized brand name, manufactures athletic shoes in such Asian developing countries as China, Indonesia, and Vietnam using subcontractors, and sells the products in the U.S. and foreign markets. The company has no production facilities in the United States. In each of those Asian countries where Nike has production facilities, the rates of unemployment and underemployment are quite high. The wage rate is very low in those countries by U.S. standards; the hourly wage rate in the manufacturing sector is less than one dollar in each of those countries, compared with about $18 in the United States. In addition, workers in those countries often operate in poor and unhealthy environments and their rights are not well protected. Understandably, Asian host countries are eager to attract foreign investments like Nike's to develop their economies and raise the living standards of their citizens. Recently, however, Nike came under worldwide criticism for its practice of hiring workers for such a low pay—"next to nothing" in the words of critics—and condoning poor working conditions in host countries. Evaluate and discuss various ethical as well as economic ramifications of Nike's decision to invest in those Asian countries.	**30**	**CO4**

Present Value table

Periods (n)	Interest rates (r)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149

Periods (n)	Interest rates (r)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026

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Section – A Attempt all the questions			
1.	Mention any 5 underlying assets which is traded under derivative market?	**5**	**CO4**
2.	Explain the derivative market players?	**5**	**CO3**
3.	What is liberalization and mention it needs?	**5**	**CO1**
4.	Explain some of the country risk assessing techniques?	**5**	**CO2**
Section – B Attempt all the questions			
5.	What is derivative? Write a brief note about the contracts of derivatives?	**10**	**CO4**
6.	Write a note on exchange risk and types of exposure associated with it?	**10**	**CO3**
Section – c Attempt all the questions			
7.	Campbell Industries has a project worth $468,000 with the following projected cash flows: **Years** / **Cash inflows** 1 — $135,000 2 — $240,000 3 — $185,000 4 — $135,000 Using 8%, 12%, 14%, and 20% discount rates for this project and the NPV model should this project to be accepted or rejected?	**15**	**CO2**
8.	Western Ltd has an option of three projects: C, D and E, with the same initial capital investment of $100,000. The profits for these projects are as follows: Project C: Year 1 ($10,000), Year 2 ($5,000), Year 3 ($15,000) Project D: Year 1 ($12,000), Year 2 ($11,000), Year 3 ($4,000) Project E: Year 1 ($9,000), Year 2 ($10,000), Year 3 ($6,000) The estimated resale value of those projects at the end of year 3 is $22,000. Calculate the ARR for each project and advise the firm.	**15**	**CO3**

Section – D			
9.	Bisleri Pop is a brand extension of Bisleri products beyond water the mother brand testifying to the four branches of this new product would be helpful. The agency that handles Bisleri Pop. This might just be the strategy for the company, that FMCG brand extensions will be successful. The product launches in India. Introducing 4 variety of carbonated drinks, categories shows that in addition to promoting brand equity, brand extensions can grow incremental sales up of MNC, and contribute as much as 30% to parent brand sales. The idea was to give a slight differentiation from known benchmarks in the category. Bisleri is well known brand for drinking water but the company decided same brand name for the carbonated drinks. The consumers mind set for Bisleri was drinking water this cause one of the main reason for failure of the brand. Assume that you're chief executive officer of Bisleri suggest ideas for relaunch of the product diversification of it.	**30**	**CO4**

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8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
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3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
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11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
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14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
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