

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)
ORGANISATION OF ISLAMIC COOPERATION (OIC)
DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Mid-Semester Examination
Course No. : BTM 4829
Course Title : International Finance

Summer Semester, A. Y. 2021-2022
Time : 1.5 hours
Full Marks : 75

Answer **all 3 (three)** questions. All questions carry equal marks. Marks of each question and the corresponding CO and PO are written in the right margin with brackets.

1. a) Explain why unfavorable economic or political conditions affect the MNC's cash flows, the required rate of return, and valuation. 8 (CO1)
(PO1, PO2)
- b) What factors cause some firms to become more internationalized than others? 7 (CO1)
(PO1)
- c) Snyder Golf Co., a U.S. firm that sells high-quality golf clubs in the United States, wants to expand internationally by selling the same golf clubs in Brazil. 10 (CO3)
(PO11)
 - i. Describe the tradeoffs that are involved for each method (such as exporting, direct foreign investment, etc.) that Snyder could use to achieve its goal.
 - ii. Which method would you recommend for this firm? Justify your recommendation. Explain why political risk may discourage international business.
2. a) Anheuser-Busch, the producer of Budweiser and other beers, has recently expanded into Japan by engaging in a joint venture with Kirin Brewery, the largest brewery in Japan. The joint venture enables Anheuser-Busch to have its beer distributed through Kirin's distribution channels in Japan. In addition, it can utilize Kirin's facilities to produce beer that will be sold locally. In return, Anheuser-Busch provides information about the American beer market to Kirin 20 (CO3)
(PO11)
 - i) Explain how the joint venture can enable Anheuser-Busch to achieve its objective of maximizing shareholder wealth.
 - ii) Explain how the joint venture can limit the risk of the international business.
 - iii) Many international joint ventures are intended to circumvent barriers that normally prevent foreign competition. What barrier in Japan is Anheuser-Busch circumventing as a result of the joint venture? What barrier in the United States is Kirin circumventing as a result of the joint venture?
 - iv) Explain how Anheuser-Busch could lose some of its market share in countries outside Japan as a result of this particular joint venture.
- b) How would a relatively high home inflation rate affect the home country's current account, other things being equal? 5 (CO2)
(PO2)

3. a) Briefly discuss the functions of the IMF and world bank for poverty alleviation and sustainable economic development. 6 (CO1)
(PO1)
- b) Would the U.S. balance-of-trade deficit be larger or smaller if the dollar depreciates against all currencies, versus depreciating against some currencies but appreciating against others? Explain. 7 (CO2)
(PO1)
- c) The International Monetary Fund has approved a loan for Bangladesh under ECF, EFF, and RSF categories. Discuss the terms and conditions of those categories. Do you believe that this loan could stable the balance of payment volatility? Justify your answer. 12 (CO3)
(PO4)