



	<p>Spot/July 35.04/10 Spot/August 35.10/14</p> <p>B) AB &amp; Co. approaches a bank for a 2-m forward contract to help it to settle Euro 200,000 Payable maturing on 1/10/2000. The bank quotes a rate of Rs.39.77/Euro. On 1/10/2000 the customer requests the bank to extend the contract by one month. If rates prevailing on 1/10/2000 are as follows, what should the bank charge for extending the contract?</p> <p>Spot Rs. 38.99/Euro 1-m Forward Rs. 39.10/Euro Ignore interest rates.</p>	07
Q-3	<p>A) MH Co. wishes to lend \$ 500000 to its Japanese subsidiary. At the same time YH Co. is interested in making a medium-term loan of approximately the same amount to its US subsidiary. The two parties are brought together by an investment bank for the purpose of making parallel loans. MH will lend \$500000 to the US subsidiary for YH for 4 years at 13%. Principal and interest are payable only at the end of the fourth year with interest compounded annually. YH will lend the Japanese subsidiary of MH 70 million Yen for 4 Years at 10%. Again, the principal and interest (annual compounding) are payable at the year end. The current exchange rate is 140 yen to the \$.</p> <p>However, the dollar is expected to decline by 5 yen to the dollar per year over the next 4 Years.</p> <p>a) If these expectations prove to be correct, what will be the dollar equivalent of principal and interest payments to YH at the end of 4 Years?</p> <p>b) What total dollars will MH receive at the end of 4 Years from the Payment of principal and interest in its loan by US subsidiary of YH?</p> <p>c) Which party is better off with parallel loan arrangement? What would happen if Yen didn't change its value?</p> <p style="text-align: center;"><b><u>OR</u></b></p> <p>B) An American multinational corporation has subsidiaries whose cash positions for the month of September, 2002 are given below: Swiss subsidiary: cash surplus of SF 1,50,00,000 Canadian subsidiary: cash deficit of C\$ 2,50,00,000 Uk subsidiary: cash deficit of £30,00,000 What are the cash requirements if: a. Decentralized cash management is adopted? b. Centralized cash management is adopted? Exchange Rates : SF 1.48/\$ ; C\$1.58\$ ; \$1.57/£.</p>	14

