

**NAVRACHANA UNIVERSITY**  
**School of Business and Law**  
**BBA Programme – Semester IV**  
**End-Sem Examination May 2017**

Course Code: EC-204  
Subject: International Business  
Marks: 40

Date: 12-05-2017  
Time: 10.30AM to 12.30PM

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**Instructions:**

- ➔ Write new answer on a new page.
  - ➔ Demonstrate the diagrams and give appropriate examples (if applicable)
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**Q1. Answer the Following in Detail (Any Four) (12)**

1. USA, Britain, China and many more countries are looking inward, explain this trend in reference to the policy of Protectionism.
2. Explain in detail the various Modes of Entry to a host country.
3. What is DTAA? How it used to work? And what are its major amendments?
4. Define BOP. Why should BOP always balance? And What does a deficit in BOP indicates?
5. What are the major advantages of inviting MNC's to India? Explain in brief. Are there any disadvantages? If yes, explain.

**Q2. Differentiate (Any Four) (08)**

1. Spot and Forward Exchange Rate
2. Depreciation and Devaluation of currency
3. Automatic and Government Route for FDI
4. MNC's and Global Companies
5. Vertically and Horizontally Integrated MNC's

**Q3. Answer in Brief (20)**

1. If Japan Devaluates its currency by 20%, How can this help Japan's BOP to overcome its Deficit?
2. A 'Big Mac' hamburger costs \$3 in the United States and 2 pesos in Mexico. The exchange rate between the peso and the dollar is?
3. If US based MNC's earn huge profits in India, what could be the possible FDI effects in India and US?
4. Under the floating exchange rate system, if India has a high rate of inflation, What would be the impact on demand and supply of Dollars in India ? Will Rupee appreciate or depreciate?
5. In the US, suppose the annual interest rate on savings is 12%, while the annual inflation rate equals 8%. In India, the annual interest rate on savings is 10 %, while the annual inflation rate equals 5 %. The above variables would cause investment funds to flow from \_\_\_\_\_ to \_\_\_\_\_ country?

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6. Explain how each of the following transactions will be classified and recorded in the debit and credit of the India's balance of payments: *(Answer only as Credit or Debit)*

(1) A Japanese insurance company purchases RBI Bonds and pays out of its US bank account.

(2) An Indian citizen consumes a meal at a restaurant in Paris and pays with her SBI Credit Card.

(3) An Indian immigrant living in Los Angeles sends a check drawn on his L.A. bank account as a gift to his parents living in Bombay.

(4) An Indian computer programmer is hired by a British company for consulting and gets paid from the U.S. bank account maintained by the British company.

7. Find out if Brazil's Current Account is in Surplus or Deficit, using following information (all in \$)

Merchandise Exports 615.81

Services Exports 117.30

Merchandise Imports -534.51

Services Exports -135.56

Unilateral transfers in 6.18

Unilateral transfers out -16.87

8. Find out if Brazil's Capital Account is in Surplus or Deficit, using following information (all in \$)

Income receipts from abroad (profit of multinationals), 110

Income payments (interest payments) to foreigners, 150

Increase in home country's ownership of assets abroad, 160

Increase in foreign ownership of assets in home countries, 200

9. In reference to India's latest FDI Policy, list out sectors where FDI is prohibited and five sectors where 100% FDI is allowed.

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