

**Daffodil International University**  
**Faculty of Business and Entrepreneurship**  
**Department of Business Administration**  
**Program: BBA**  
**Final Examination**

Semester: Fall-2025

Full Marks: 40

Time: 120 Minutes

Course Title: International Financial Management

Course Code: FIN 410

Teacher's Name: DNMZ, Debashish

**Answer all the following questions**

1.

- a) Explain the various methods of forecasting techniques with limitations.

[CLO 01, L02, Marks: 5]

- b) Explain why firms forecast exchange rate with examples.

[CLO 01, L02, Marks: 5]

2.

- a) Banzara, a Bangladeshi coffee brand, plans to invest in a new project in either Thailand or Malaysia. Once the project is completed, it will constitute 30 percent of the firm's total funds invested in itself. The remaining 70 percent of its investment in its business is exclusively in Thailand or Malaysia. Characteristics of the proposed project are forecasted for a 5-year period for both locations, as shown in the following locations.

	Existing Business	Characteristics of the proposed project	
		If located in Thailand	If located in Malaysia
Mean expected annual return on investment (after taxes)	20%	25%	25%
Standard deviation of expected annual after-tax returns on investment	0.10	0.09	0.11
Correlation of expected annual after-tax returns on investment with after-tax returns of prevailing business in Bangladesh	-	0.80	0.02

- I. Estimate the expected portfolio return if the project is located in Thailand or Malaysia, the portfolio standard deviation of the project located in both countries, and evaluate the investment decisions to identify which projects generate stable returns.

[CLO 03, L05, Marks: 7]

- b) Explain the cost related motives for direct foreign investment with examples.

[CLO 01, L02, Marks: 3]

3.

- a) Darwish, Inc., would like to assess the country risk of Bangladesh. Darwish has identified various political and financial risk factors, as shown below. Darwish has assigned an overall rating of **80 percent** to political risk factors and of **20 percent** to financial risk factors. Darwish is not willing to consider Bangladesh for investment if the country risk rating is **below 4.0**. Should Darwish consider Bangladesh for investment? **Justify** your answer. [CLO 03, L05, Marks: 5]

Political Risk Factor	Assigned Rating	Assigned Weight
Blockage of fund transfers	5	40%
Bureaucracy	3	60%

Financial Risk Factor	Assigned Rating	Assigned Weight
Interest rate	1	10%
Inflation	4	20%
Exchange rate	5	30%
Competition	4	20%
Growth	5	20%

- b) **Analyze** political risk characteristics with examples.

[CLO 02, L04, Marks: 5]

4.

- a) **Explain** why Purchasing Power Parity (PPP) doesn't hold. [CLO 01, L02, Marks: 5]  
b) **Explain** the International Fisher Effect (IFE) theory with its implications. [CLO 01, L02, Marks: 5]