



PRESIDENCY UNIVERSITY

BENGALURU

Roll No.															
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End - Term Examinations - December 2025

Date: 12-12-2025

Time: 01:00pm- 04:00pm

School: SOC/SOM-UG	Program: B.Com	
Course Code: BFI3010	Course Name: International Financial Management	
Semester: V	Max Marks: 100	Weightage: 50%

CO - Levels	C01	C02	C03	C04	
Marks	28	28	26	48	

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1.	Define the term 'Balance of Payments'.	2 Marks	L1	C01
2.	Identify the primary function of the International Finance Corporation (IFC).	2 Marks	L1	C04
3.	In a forex quote, what does the 'Bid-Ask Spread' represent?	2 Marks	L1	C02
4.	List two common instruments used for hedging foreign exchange risk.	2 Marks	L1	C03
5.	State the core proposition of the Absolute Purchasing Power Parity (PPP) theory.	2 Marks	L1	C02
6.	List two trade finance instruments that facilitate payment in international trade.	2 Marks	L1	C04
7.	Name two distinct types of exchange rate regimes practiced globally.	2 Marks	L1	C02
8.	Define 'Transaction Exposure'.	2 Marks	L1	C03
9.	Recollect the main weakness of the Bretton Woods system that led to its collapse?	2 Marks	L1	C01
10.	Identify two key challenges faced by a Multinational Corporation (MNC) in the global marketplace.	2 Marks	L1	C01

Part B

Answer ALL the Questions. Each question carries 7 marks.

5Q x 7M = 35M

11.	Explain the role of Special Drawing Rights (SDRs) in the context of the International Monetary Fund (IMF).	07 Marks	L2	CO1
Or				
12.	Outline the scope and significance of International Finance.	07 Marks	L2	CO1
13.	You are given the following quotes: - Bank X: EUR/USD 1.800 - Bank Y: EUR/GBP 0.800 - Bank Z: GBP/USD 1.1000 Starting with \$1,000,000, is there an arbitrage opportunity? Detail the steps and calculate the profit, if any.	07 Marks	L3	CO2
Or				
14.	Explain the term 'Cross Rates'. You observe the following quotes: USD/JPY 150.00, USD/INR 83.00. Calculate the JPY/INR cross rate.	07 Marks	L3	CO2
15.	Explain the different tools used to measure foreign exchange exposure faced by multinational companies.	07 Marks	L2	CO3
Or				
16.	Explain the various tools used to measure translation exposure in foreign exchange management.	07 Marks	L2	CO3
17.	Explain the various types of Foreign direct investment.	07 Marks	L2	CO4
Or				
18.	Explain how Export-Import financing supports international business.	07 Marks	L2	CO4
19.	Write short notes on: (a) Forfaiting and (b) Export Financing.	07 Marks	L2	CO4
Or				
20.	Explain the different types of Letters of Credit used in international trade.	07 Marks	L2	CO4

Part C

Answer any three Questions. Each question carries 15marks

3Q x 15M=45M

21.	Explain the major challenges faced by multinational corporations in the global financial environment.	15 Marks	L2	CO1
22.	Explain the theories of Purchasing Power Parity (PPP), Interest Rate Parity (IRP), and the International Fisher Effect (IFE). Discuss how each of these theories helps in determining exchange rate movements.	15 Marks	L2	CO2
23.	a) Read the following situations and identify the type of foreign exchange exposure involved (Transaction, Translation, or Economic Exposure). Provide a short reason for each classification:	15 Marks	L3	CO3

	<ol style="list-style-type: none"> 1. An Indian IT exporter is expecting a payment of USD 50,000 from a US customer after two months. 2. A German carmaker finds its vehicles becoming less competitive in the Japanese market due to continued appreciation of the Euro. 3. A UK company is converting the financial results of its US subsidiary into Pound Sterling for consolidation. <p>b) Based on Situation (1) above, outline two practical hedging approaches the Indian IT exporter can adopt to reduce its currency risk.</p>			
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24.	Explain any five major trade finance instruments and also how they help facilitate international trade	15 Marks	L3	C04
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25.	<p>A firm is considering an investment proposal that requires an initial outlay of ₹12,00,000. The project is to be evaluated using the certainty equivalent (CE) method. The risk-free rate is 8%. Expected cash flows and their CE coefficients are given below:</p> <table border="1" data-bbox="312 936 1083 1238"> <thead> <tr> <th>Year</th> <th>Expected Cash Flow (₹)</th> <th>CE Coefficient</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2,00,000</td> <td>0.92</td> </tr> <tr> <td>2</td> <td>2,50,000</td> <td>0.85</td> </tr> <tr> <td>3</td> <td>2,20,000</td> <td>0.7</td> </tr> <tr> <td>4</td> <td>1,80,000</td> <td>0.65</td> </tr> <tr> <td>5</td> <td>1,20,000</td> <td>0.6</td> </tr> </tbody> </table> <p>Present value factors at 8% are as follows:</p> <table border="1" data-bbox="218 1366 1155 1451"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>PVF</td> <td>0.926</td> <td>0.857</td> <td>0.794</td> <td>0.735</td> <td>0.681</td> </tr> </tbody> </table> <p>Using the certainty-equivalent technique, assess whether the investment should be undertaken.</p>	Year	Expected Cash Flow (₹)	CE Coefficient	1	2,00,000	0.92	2	2,50,000	0.85	3	2,20,000	0.7	4	1,80,000	0.65	5	1,20,000	0.6	Year	1	2	3	4	5	PVF	0.926	0.857	0.794	0.735	0.681	15 Marks	L3	C04
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