

MBA in SIBFT Sem.-3 Examination
International Financial Mgmt.
December-2025

Time : 2.30 Hours]

[Max.Marks : 70

- Q.1.(a) Analyze the role of the International Monetary Fund (IMF) in managing and resolving global financial crises. 07
- Q.1.(b) Define Capital Account Convertibility (CAC) and elaborate on the potential benefits and inherent risks associated with its full implementation. 07

OR

- Q.1. Attempt all.
- (a) If the exchange rate at the end of the fiscal year (FY) 2024–25 was ₹83.00/US \$ and if the projected inflation rate in India for FY 2025–26 is 4.0% and the projected inflation rate in the USA for FY 2025–26 is 2.5%, find:(i) the inflation rate differential between the two countries (India vs. USA), and (ii) the exchange rate at the end of FY 2025–26 05
- (b) Distinguish between direct and indirect quote of exchange rate. 04
- (c) Assume India's three major trading partners—the United States (USD), the Euro Zone (EUR), and Japan (JPY)—share trade weights 40%, 35% & 25% respectively. Assuming November 2024 (Base Period), when exchange rates were ₹82.00 / \$, ₹89.00 / Euro, ₹0.55 / yen. These rates changed over the years and in November 2025, they were ₹89.76 / \$, ₹95.00 / Euro, ₹0.60 / Yen. Find out effective exchange rate index during 2024-25. 05
- Q.2.(a) Explain the distinctive characteristics of foreign exchange market & its participants. 07
- Q.2.(b) Is forecasting of exchange rate relevant? Discuss. 07

OR

- Q.2.(a) Using the data provided below, calculate the following: 07
- a) Balance of Trade
- b) Balance of Current Account
- c) Overall Balance of Payments

Item	Debit (US \$ million)	Credit (US \$ million)
Trade in goods	55,383	38,285
Services such as travel, transport & others	11,865	15,720
Statistical discrepancy	—	323

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	Unilateral transfer	34	12,672	
	Foreign investment	7,123	12,240	
	External assistance	2,183	3,074	
	External commercial borrowings	2,874	3,207	
	Investment income	5,490	1,931	
	Banking capital	8,532	11,259	
	Rupee debt service	711	—	
	Other capital transactions	2,510	4,018	
Q.2.(b)	What are the different techniques of forecasting exchange rate?			07
Q.3	A firm wants to avoid double taxation on income earned in a foreign subsidiary. Explain the practical methods available under Double Taxation Avoidance Agreement to reduce tax burden and ensure compliance.			14
				OR
Q.3	A multinational with operations in five countries maintains different receivable cycles. Explain how it should use centralized vs decentralized working capital management to reduce global financing costs.			14
Q.4	a. Two countries offer different corporate tax rates and interest rates. Explain how an MNC should structure its global financing mix to minimize tax liability.			07
	b. A parent company in India needs to consolidate the accounts of its subsidiary in Brazil. Explain how foreign currency translation should be practically performed and what adjustments are required.			07
				OR
Q.4	a. A multinational enterprise claims that income earned in India is not taxable because it is booked in a foreign low-tax jurisdiction. Explain how India uses the concept of “Place of Effective Management (POEM)” to determine tax residency in such cases.			07
	b. An MNC finances its European subsidiary through local borrowing instead of borrowing from the parent company. Explain how this decision impacts the capital structure, WACC, and risk exposure of the group.			07
Q.5	Attempt any seven (each question carries 2 marks)			14
	1. A company wants long-term finance without giving up ownership. Which international financing option should it select?			
	2. What is “zero or low tax rate” advantage in a tax haven?			
	3. A firm faces delays in receiving payments from foreign customers. Suggest one method to reduce international receivable risk.			

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4. If direct quote is Rs87/US\$, how can this exchange rate be presented under indirect quote?
 5. List down basket currencies in 2025.
 6. A multinational sets the transfer price too low for goods sold to its subsidiary. What risk does this pose?
 7. Which document acts as proof that goods have been shipped?
 - a) Commercial Invoice
 - b) Bill of Lading
 - c) Packing List
 - d) Certificate of Origin
 8. The process of converting foreign subsidiary accounts into the parent company's reporting currency is called:
 - a) Hedging
 - b) Translation
 - c) Consolidation
 - d) Exposure
 9. Explain Statistical Discrepancy.
 10. Define Crawling peg.
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