Name: **Enrolment No:**	

UPES

End Semester Examination, December 2025

Course: International Financial Management

Semester: III

Program: MBA(IB) **Time : 03 hrs.**

Course Code: FINC 8003 **Max. Marks: 100**

Instructions:

SECTION A

10Qx2M=20Marks

S. No.	**Questions**	**Marks**	**CO**
Q1	Financial stability as an objective of monetary policy is important because: a) It eliminates all risks in the banking sector b) It prevents systemic failures that could spread throughout the economy c) It guarantees stable stock market returns d) It requires no coordination with regulatory authorities	**2**	**CO1**
Q2	Arbitrage in the foreign exchange market refers to: a) Intentionally creating exchange rate risk b) Borrowing in foreign currency only c) Earning risk-free profit due to price differences	**2**	**CO1**

	d) Buying currency for speculation		
Q3	The credit risk in a swap contract arises mainly from: a) Change in stock prices b) Change in commodity prices c) Possibility of counterparty default d) High brokerage fees	**2**	**CO1**
Q 4	The bid rate in foreign exchange is the rate at which: a) The bank sells foreign currency b) The bank buys foreign currency c) Exporters buy foreign goods d) Importers sell goods internationally	**2**	**CO1**
Q 5	Which of the following does not constitute a potential benefit arising from economic integration? a) Expansion of the effective market size b) Intensification of competitive pressures c) Improvement in allocative and productive efficiency d) Imposition of elevated intra-regional tariff barriers	**2**	**CO1**
Q 6	How many member states are currently in the EU (after Brexit)? a) 27 b) 28 c) 25 d) 30	**2**	**CO1**
Q 7	The doctrine of Interest Rate Parity essentially asserts that: a) Capital flows are independent of cross-country yield differentials b) Forward exchange rate differentials neutralize international interest rate differentials c) Exchange rate expectations are irrelevant in determining equilibrium rates d) Spot exchange rates will always appreciate with higher domestic interest rates	**2**	**CO1**
Q 8	Expansionary monetary policy typically leads to:	**2**	**CO1**

	a) Lower investment due to rising interest rates b) Higher borrowing costs for firms c) Greater aggregate demand d) Decreased money supply		
Q 9	The *Law of One Price* is conceptually the foundation of: a) Fisher Effect b) Interest Rate Parity c) Purchasing Power Parity d) International Fisher Effect	**2**	**CO1**
Q 10	Special Drawing Rights (SDRs) are best described as: a) A physical reserve currency issued by the World Bank b) An international reserve asset created by the IMF c) A sovereign bond issued by developing nations d) A tradable derivative used for hedging currency risk	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q 11	Discuss the objectives of imposing withholding tax in both domestic and international contexts.		**CO2**
Q 12	What are the key differences between the money market and the capital market?		**CO2**
Q 13	Explain the factors that influence a firm's choice between low markup and high markup pricing strategies.		**CO2**
Q 14	Define cross-border mergers and acquisitions and explain their main objective.		**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q 15	Discuss George Akerlof's contribution to the theory of the Lemons Problem. Illustrate your answer with the used-car market example.		**CO3**
Q 16	Explain the concept of the agency problem in corporate finance. Discuss how conflicts of interest arise between principals and agents, and evaluate the effectiveness of various mechanisms used to mitigate these conflicts.		**CO3**

Q 17	Define the relationship between Gross Domestic Product(GDP) and Balance of Current Account (BCA) with the help of the identity **GDP= BCA** Where, GDP = C+ I+ G -NX BCA= X-M C = Consumption I = Investment G= Government NX= Net Export		**CO4**
SECTION-D **2Qx15M= 30 Marks**			
Q 18	Trace the historical evolution of the International Monetary System from the Gold Standard to the present-day managed float system. Discuss the factors that led to major transitions.	**15**	**CO4**
Q. 19	You are provided with the following direct currency quotations in the international foreign exchange market, where each pair is expressed as *GBP per unit of the foreign currency*, and the first figure denotes the **bid** quote while the second denotes the **ask** quote: • GBP/AUD = 1.2451 / 1.2950 • GBP/EUR = 1.8049 / 1.8468 Using the above market information, determine the cross-exchange rate between the Australian Dollar (AUD) and the Euro (EUR). Specifically compute: 1. The cross rate on a bid basis, and 2. The cross rate on an ask basis.	**15**	**CO4**