

Faculty of Management Studies

End Semester Examination May 2025

MS3EF11 Basic International Finance

Programme	:	BBA	Branch/Specialisation	:	-
Duration	:	3 hours	Maximum Marks	:	60

Note: All questions are compulsory. Internal choices, if any, are indicated. Assume suitable data if necessary. Notations and symbols have their usual meaning.

Section 1 (Answer all question(s))

Marks CO BL
1 1 1

Q1. Which of the following is not a motivation for International Finance?

Rubric	Marks
Domestic tax policies	1

- Interest rate arbitrage
- Domestic tax policies
- Diversification of investment
- Exchange rate risk management

Q2. In India, which institutions facilitate International Trade financing?

1 1 1

Rubric	Marks
EXIM Bank	1

- NABARD
- EXIM Bank
- SEBI
- IRDAI

Q3. The Gold Standard system was primarily based on-

1 2 2

Rubric	Marks
Fixed exchange rates backed by gold reserves	1

- Fixed exchange rates backed by gold reserves
- Floating exchange rates
- Paper currency with no backing
- Exchange rates are determined by demand and supply

Q4. The Bretton Woods system led to the creation of which key financial institution?

1 1 1

Rubric	Marks
International Monetary Fund	1

- World Trade Organization
- International Monetary Fund
- Asian Development Bank
- United Nations

Q5. Which of the following is an example of an International Bond?

1 4 1

Rubric	Marks
Euro Bonds	1

- Treasury Bills
- Euro Bonds
- Corporate Bonds
- Debentures

Q6. GDRs and ADRs are used for-

1 2 2

Rubric	Marks
Raising equity capital from foreign markets	1

- Issuing bonds in domestic markets
- Raising equity capital from foreign markets
- International money laundering
- Reducing interest rates on loans

Q7. The capital structure of an MNC differs from a domestic company due to-

1 4 2

Rubric	Marks
Exposure to multiple currency risks	1

- Exposure to multiple currency risks
- Less complex financing needs
- No requirement for external debt
- Government intervention

Q8. International capital budgeting involves-

1 2 2

Rubric	Marks
Analyzing foreign investment projects considering exchange rate risks	1

- Evaluation of domestic projects only
- Analyzing foreign investment projects considering exchange rate risks
- Short-term financial planning
- Calculation of GDP growth rates

Q9. Foreign Direct Investment (FDI) involves-

1 3 1

Rubric	Marks
Significant ownership and control in foreign enterprises	1

- Passive investment in foreign stock markets
- Significant ownership and control in foreign enterprises
- Short-term lending to international banks
- Investing only in government bonds

Q10. Which of the following is a common strategy for international bond investment?

1 4 3

Rubric	Marks
Diversifying across different international markets	1

- Investing only in domestic markets
- Diversifying across different international markets
- Avoiding foreign currency bonds
- Restricting investments to a single country

Section 2 (Answer all question(s))

Marks CO BL

Q11. Define international trade and international business. How do they differ from each other?

4 1 2

Rubric	Marks
Define International Trade (1 Mark) and International Business (1 Mark).	1
How do they differ? (2 Marks for Difference)	2

Q12. (a) Explain any two theories of international trade with examples.

6 1 2

Rubric	Marks
Explain the various theories of International Trade with examples. (2 marks for each theory with example; at least 2 theories)	6

(OR)

(b) How does the balance of payments reflect economic performance of India?

Rubric	Marks
How does the Balance of Payments reflect a country's economic performance? Explain concerning India. (4 marks for reflection; 2 marks with concerning India)	6

Section 3 (Answer all question(s))

Marks CO BL

4 4 2

Q13. Explain the Bretton Woods system and its impact on international finance.

Rubric	Marks
Explain the Bretton Woods System (1 mark) and its impact on international finance. (1 mark each for at least 3 impacts)	4

Q14. (a) What challenges does the current global monetary system face?

6 2 2

Rubric	Marks
What challenges does the current global monetary system face? (1 mark for each challenge; at least 6 challenges)	6

(OR)

(b) Compare and contrast different types of exchange rate mechanisms.

Rubric	Marks
Compare and contrast different types of exchange rate mechanisms. (2 marks each for comparison; at least 3 comparison)	6

Section 4 (Answer all question(s))

Marks CO BL

4 2 2

Q15. What is LIBOR? Why it is significant in international finance?

Rubric	Marks
What is LIBOR? (1 mark for Meaning) Why is it significant in international finance?(1 Mark for each significance)	4

Q16. (a) How does the international money market function? Elaborate its key components.

6 2 2

Rubric	Marks
How does the international money market function? (2 marks for functioning) Elaborate its key components. (1 mark each for component)	6

(OR)

(b) Explain the major sources of international finance and their importance.

Rubric	Marks
Explain the major sources of international finance and their importance. (2 marks for each source with importance; at least 3 sources)	6

Section 5 (Answer all question(s))

Q17. How does the capital structure of multinational corporations (MNCs) differ from domestic firms?

Marks CO BL

4 5 3

Rubric	Marks
How does the capital structure of multinational corporations (MNCs) differ from domestic firms? (1 Mark for Each difference)	4

Q18. (a) Compare and contrast segmented and integrated capital markets.

6 5 3

Rubric	Marks
Compare and contrast segmented and integrated capital markets. (1 mark each for Comparison with details)	6

(OR)

(b) Explain the adjusted present value model of international capital budgeting.

Rubric	Marks
Explain the process (3 marks for Process) and challenges (1 Mark each for challenges; at least 3 challenges) of International Capital Budgeting.	6

Section 6 (Answer any 2 question(s))

Q19. What are the different strategies for direct investment?

Marks CO BL

5 5 3

Rubric	Marks
What are the different strategies for Direct Investment? (1 mark for each Strategy; Minimum 5 Strategy)	5

Q20. How does international bond investing differ from domestic bond investing?

5 5 4

Rubric	Marks
How does International Bond Investing differ from domestic bond investing? (2 Key differences with details; 2.5 marks for each Difference)	5

Q21. Define international portfolio investment. What are its key components?

5 5 3

Rubric	Marks
Define International Portfolio Investment. (1 Mark for definition) What are its key components? (1 mark for each component; Minimum 4 Components)	5
