PVP24

Code No: **24BA4T5FA**

II MBA - II Semester - Regular Examinations – JUNE 2026

GLOBAL FINANCIAL MANAGEMENT

Duration: 3 Hours | Max. Marks: 70

Note: 1. This question paper contains two Parts: Part-A and Part-B.
2. Part-A contains 5 essay questions with an internal choice from each unit. Each Question carries 12 marks.
3. Part-B contains one Case Study for 10 Marks.
4. All parts of Question paper must be answered in one place

BL – Blooms Level | CO – Course Outcome

PART - A

			BL	CO	Max. Marks
		UNIT – I			
1.	a)	Describe the importance of International Financial Management in multinational corporations.	L3	CO1	8 M
	b)	Explain the scope of International Financial Management.	L2	CO1	4 M
		OR			
2.	a)	Assess the impact of global financial crises on international financial management practices.	L3	CO1	6 M
	b)	Why is EXIM policy important for regulating international trade?	L2	CO1	6 M

UNIT – II					
3.	a)	Interpret the factors that led to major transformations in the global monetary system.	L3	CO2	6 M
	b)	How did the Gold Standard regulate international trade and balance of payments adjustments?	L2	CO2	6 M
OR					
4.	a)	Evaluate the effectiveness of the Bretton Woods system in maintaining global financial stability.	L4	CO2	6 M
	b)	Critique the effectiveness of the EMU in maintaining financial stability within the European region.	L3	CO2	6 M
UNIT-III					
5.	a)	Interpret different types of foreign exchange quotations used in international markets.	L3	CO3	6 M
	b)	Examine the process of arbitrage in foreign exchange markets.	L3	CO3	6 M
OR					
6.	a)	What is theory of Purchasing Power Parity and its relevance in exchange rate determination?	L2	CO3	6 M
	b)	Analyze the International Fisher Effect and its implications for exchange rate movements.	L4	CO3	6 M

UNIT – IV					
7.	a)	Demonstrate how currency futures contracts are used by multinational corporations for hedging.	L2	CO4	6 M
	b)	Explore the mechanisms through which the Euro credit market supports multinational corporations.	L3	CO4	6 M
OR					
8.	a)	Summarize the structure and development of international stock markets.	L3	CO4	6 M
	b)	Compare domestic stock markets with international stock markets in terms of investment opportunities.	L3	CO4	6 M
UNIT – V					
9.	a)	Discuss the importance of international cash management in multinational corporations.	L3	CO5	6 M
	b)	Explain the role of short-term financial planning in maintaining liquidity in international firms.	L2	CO5	6 M
OR					
10.	a)	Assess the risks associated with managing accounts receivables in international markets.	L3	CO5	6 M
	b)	What are the challenges faced by multinational firms in managing global inventory levels?	L2	CO5	6 M

PART – B

	CASE STUDY	L4	CO1	10 M
11.	Case: India Tech Ltd., a rapidly growing technology company in India, recently expanded its operations to several countries in Asia and Europe. The company imports advanced electronic components from Japan and exports finished products to Germany and the United States. Over the past two years, India has experienced fluctuations in its Balance of Payments (BoP) due to rising imports and volatile global markets. The Indian government has also introduced changes in its EXIM policy to promote exports and control trade deficits. India Tech's finance team is concerned about how these macroeconomic changes could affect their international financial operations, especially in terms of foreign exchange availability, trade regulations, and international payments. Questions: 1. Analyze how fluctuations in a country's Balance of Payments can influence multinational companies like India Tech Ltd. 2. Examine the role of EXIM policy in regulating international trade for companies engaged in exports and imports. 3. Evaluate the potential risks and opportunities India Tech Ltd. may face due to changes in global financial management practices 4. Recommend strategies that India Tech Ltd. could adopt to manage international financial challenges effectively.			

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PART - A

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		UNIT - I			
1	a)	Describe the importance of International Financial Management in Multinational corporations.	L3	CO1	8M
	b)	Explain the scope of International Finance Management	L2	CO1	4M
		OR			
2	a)	Assess the impact of global financial crises on International Financial management practices.	L3	CO1	6M
	b)	Why is EXIM policy important for regulating international trade?	L2	CO1	6M
		UNIT – II			
3	a)	Interpret the factors that led to major transformations in the global monetary system.	L3	CO2	6M
	b)	How did the Gold Standard regulate international trade and balance of payments adjustments?	L2	CO2	6M
		OR			
4	a)	Evaluate the effectiveness of the Bretton Woods system in maintaining global financial stability.	L4	CO2	6M
	b)	Critique the effectiveness of the EMU in maintaining financial stability within the European region.	L3	CO2	6M
		UNIT – III			
5	a)	Interpret different types of foreign exchange quotations used in international markets.	L3	CO3	6M
	b)	Examine the process of arbitrage in foreign exchange markets.	L3	CO3	6M
		OR			
6	a)	What is the theory of Purchasing Power Parity and Its relevance in exchange rate determination?	L2	CO3	2M 4M
	b)	Analyze the International Fisher Effect Its implications for exchange rate movements.	L4	CO3	2M 4M

UNIT – IV					
7	a)	Demonstrate contracts how currency futures are used by multinational corporations for hedging.	L2	CO4	6M
	b)	Explore the mechanisms through which the Euro credit market supports multinational corporations.	L3	CO4	6M
OR					
8	a)	Summarize the structure Development of international stock markets.	L3	CO4	2M 4M
	b)	Compare domestic stock markets with international stock markets in terms of investment opportunities.	L3	CO4	6M
UNIT – V					
9	a)	Discuss the importance of international cash management in multinational corporations	L3	CO5	6M
	b)	Explain the role of short-term financial planning in maintaining liquidity in international firms.	L2	CO5	6M
OR					
10	a)	Assess the risks associated with managing accounts receivable in international markets.	L3	CO5	6M
	b)	What are the challenges faced by multinational firms in managing global inventory levels?	L2	CO5	6M

PART – B

11.	**CASE STUDY**	**L4**	**CO1**	**10M**	
Case: Introduction **Questions:** 1. Analyze how fluctuations in a country's Balance of Payments can influence multinational companies like India Tech Ltd. 2. Examine the role of EXIM policy in regulating international trade for companies engaged in exports and imports. 3. Evaluate the potential risks and opportunities India Tech Ltd. may face due to changes in global financial management practices 4. Recommend strategies that India Tech Ltd. could adopt to manage international financial challenges effectively.					 2M 2M 2M 2M 2M

UNIT 1

1 a) Describe the importance of International Financial Management in Multinational corporations.

International Financial Management (IFM) is critical for Multinational Corporations (MNCs) as it provides the strategic tools required to maximize shareholder wealth across global markets

Efficient Global Fund Management

- Foreign Exchange Risk Management
- Optimal Capital Structure
- International Investment Decisions
- Global Capital Budgeting
- Working Capital Management Across Countries
- Cost of Capital Minimization
- International Tax Planning
- Political and Country Risk Management
- Profit Repatriation and Dividend Decisions

1 b) Explain the scope of International Finance Management

1. Foreign Exchange Market

- The **foreign exchange** (forex) market is a global marketplace where currencies are exchanged.

Example

Businesses importing goods from the European Union: A US business can pay for goods in euros, even if its income is in US dollars.

2. Exchange rate determination

It is the process of calculating the value of one currency relative to another. The exchange rate is a key factor in a country's trade, tourism, and import prices.

Example 1:

- If the exchange rate between the U.S. dollar and the euro is 1.07, then one euro is worth $1.07.

Example 2

- If the exchange rate between the U.S. dollar and the Canadian dollar is 1.33, then one U.S. dollar is worth 1.33 Canadian dollars.

3. Exchange Rates and Risk management

- **It** is the risk that arises from unexpected changes in the exchange rate between two currencies.
- It can affect a company's value, profitability, and competitive position in the global market.

Example:

- **Economic risk :** The risk that a company's value may be affected by changes in the exchange rate. This can impact a company's future cash flows, earnings, and foreign investments.

4.MNC investment decisions

- The investment made by MNCs is called foreign investment.
- **Example:** Coca-Cola Company. Coffee Bean & Tea Leaf. Cognizant Technology Solutions. Colgate-Palmolive.

5. International working capital management

- It is the process of managing a company's short-term financial resources to support its international business operations.

Examples:

- **Offering discounts for early payment**: Companies can offer discounts to customers who pay their bills early.
- **Leasing assets**: Companies can lease assets instead of buying them.

6. International accounting

- It is recording a sale by a manufacturing company that sells its product and receives cash. This transaction is recorded by making a journal entry.

Example:

- International Public Sector Accounting Standards (IPSASs)
- International Financial Reporting Standards (IFRSs)
- Financial Accounting Standards Board (FASB)

7. Financial Decisions of the MNCs

- A key financial decision that MNCs (Multinational Corporations) often make is choosing where to raise capital based on the most favorable interest rates and tax laws across different countries

OR

2. a) Assess the impact of global financial crises on International Financial management practices.

- Global financial crises have fundamentally shifted international financial management from aggressive leverage and growth-chasing to rigorous risk management, liquidity preservation, and regulatory compliance. Key changes include stricter capital controls, diversified funding, more hedging to counter exchange rate volatility, and stress-testing for extreme global shocks

- Increased Exchange Rate Volatility
- Higher Financial and Market Risk
- Liquidity and Cash Flow Constraints
- Reduced Access to International Capital Markets
- Higher Cost of Capital
- Greater Emphasis on Risk Management
- Stricter Corporate Governance and Compliance
- Changes in Capital Structure Decisions
- More Conservative Investment and Capital Budgeting
- Enhanced Foreign Exchange Hedging

2. b) Why is EXIM policy important for regulating international trade?

- It emphasises trade facilitation through digitisation and technology, promotes e-commerce, and facilitates exports through various measures and schemes
- It plays a critical role in expanding global market opportunities.
- It helps to increase the gross domestic product of India.
- It aids in facilitating liberalisation and free trade and improves the overall market for domestic consumers.
- It plays a role in supplying quality goods at cost-effective prices to domestic consumers and diversifying the market

UNIT 2

3. a) Interpret the factors that led to major transformations in the global monetary system.

Classical Gold Standard (1870s - 1914):

- Most major currencies were directly convertible to **gold** at a **fixed rate,** promoting stability in international trade.
- This system largely collapsed with the outbreak of **World War I** as countries needed to print more money to finance war efforts.

Gold-Exchange Standard (1920s - 1930s):

- Countries held reserves of other major currencies (like the US dollar) which were then convertible to gold, creating a less rigid system than the classical gold standard.
- The Great Depression further destabilized this system as countries abandoned gold convertibility to manage their economies.

Bretton Woods System (1944 - 1971):

- Established at the **Bretton Woods** conference, this system pegged currencies to the US dollar, which was itself convertible to gold at a fixed rate ($35 per ounce).
- The International Monetary Fund (IMF) was created to oversee the system and provide financial assistance to member countries.

The "Nixon Shock" (1971):

- The US unilaterally suspended the convertibility of the dollar to gold, effectively ending the Bretton Woods system.

Jamaica Agreement (1976):

- Formalized the floating exchange rate system, where currencies fluctuate freely against each other based on market forces, with central banks allowed to intervene to manage volatility.

3. b) How did the Gold Standard regulate international trade and balance of payments adjustments?

Under the classical gold standard, countries pegged their currencies to a fixed weight of gold, creating stable, fixed exchange rates for international trade. Balance of payments adjustments were largely self-correcting through the physical shipment of gold and the resulting changes in domestic money supplies and price levels.

- **Determines Fair Value** – Estimates the true worth of assets or businesses.
- **Supports Investment Decisions** – Helps evaluate domestic and international investment opportunities.
- **Uses Time Value of Money** – Discounts future cash flows to present value.
- **Applies Discounted Cash Flow (DCF)** – Values investments based on expected future cash flows.
- **Uses Net Present Value (NPV)** – Accepts projects with positive NPV.
- **Uses Internal Rate of Return (IRR)** – Measures investment profitability.
- **Considers Exchange Rate Risk** – Evaluates the impact of currency fluctuations.
- **Accounts for Country Risk** – Includes political and economic risks in valuation.
- **Determines Cost of Capital** – Uses WACC as the discount rate.
- **Supports Mergers and Acquisitions** – Assesses the value of target firms.

OR

4. a) Evaluate the effectiveness of the Bretton Woods system in maintaining global financial stability.

- The Bretton Woods system was an international monetary agreement that standardized currency exchange rates.
- Currencies belonging to various nations were pegged against the US dollar.
- The US dollar itself was pegged against the price of gold
- It aimed to bring uniformity to global exchange rates.
- It was based on the gold standard.
- This system regulated international trade between 44 countries and remained in practice from 1945 to 1973.

The system collapsed because the US dollar could not hold its value.

- It was an international monetary arrangement.
- Currencies belonging to allied nations were ascertained against the value of the US dollar.
- The US dollar value was fixed against gold prices.
- Exchange rate stability and regulation of global payment and settlement post-World War II were the objectives of the Bretton Woods agreement.
- On July 01, 1944, 730 delegates from 44 countries attended the United Nations Monetary and Financial Conference.
- It was held in Bretton Woods, New Hampshire.
- The Bretton Woods Agreement led to the formation of the Bretton Woods Institutions—The World Bank and the International Monetary Fund (IMF).
- The Bretton Woods system was developed as an international monetary exchange arrangement.
- The system fixed currencies belonging to 44 countries against the value of the US dollar.
- The US dollar itself was pegged against the price of gold.
- Initially, one ounce of gold was worth $35. This system was followed between 1945 and 1973.

4. b) Critique the effectiveness of the EMU in maintaining financial stability within the European region.

- The European Economic and Monetary Union (EMU) combined the European Union (EU) member states into a cohesive economic system.
- It is the successor to the European Monetary System (EMS).
- It is quite a broad umbrella, under which a group of policies have been enacted aimed at economic convergence and free trade among European Union member states.
- The first efforts to create a European Economic and Monetary Union began after World War I. On September 9, 1929,
- **Price stability:** Maintaining stable prices as the primary goal of monetary policy, usually managed by a central bank.
- **Economic growth:** Fostering sustainable economic growth across member states.
- **Employment creation:** Contributing to high levels of employment through economic stability.
- **Coordination of economic policies:** Member states collaborating on economic strategies, including fiscal policies, to avoid negative spillover effects.
- **Single market efficiency:** Ensuring the smooth operation of the internal market by removing barriers to trade and capital flow.

UNIT 3

5. a) Interpret different types of foreign exchange quotations used in international markets.

- Foreign exchange quotations are the prices at which currencies are bought and sold.
- They are usually presented as two-way quotes, with a buying rate and a selling rate.
- Forex quotes represent the exchange rate between two currencies, indicating how much of the quote currency is needed to buy one unit of the base currency.

Direct quotation

The direct quote method provides the base currency per quoted currency (i.e., foreign currency). This provides the cost of the local currency to purchase 1 unit of the foreign currency.

The price is quoted in the home currency.

Example: €0.8989 = US$1.00.

INDIRECT QUOTE

INDIRECT QUOTE refers to number of foreign currencies a person needs to purchase a unit of the domestic currency. For example - For a person living in the U.S. an indirect quote when dealing in euro will be 1.2 Euros per 1 USD

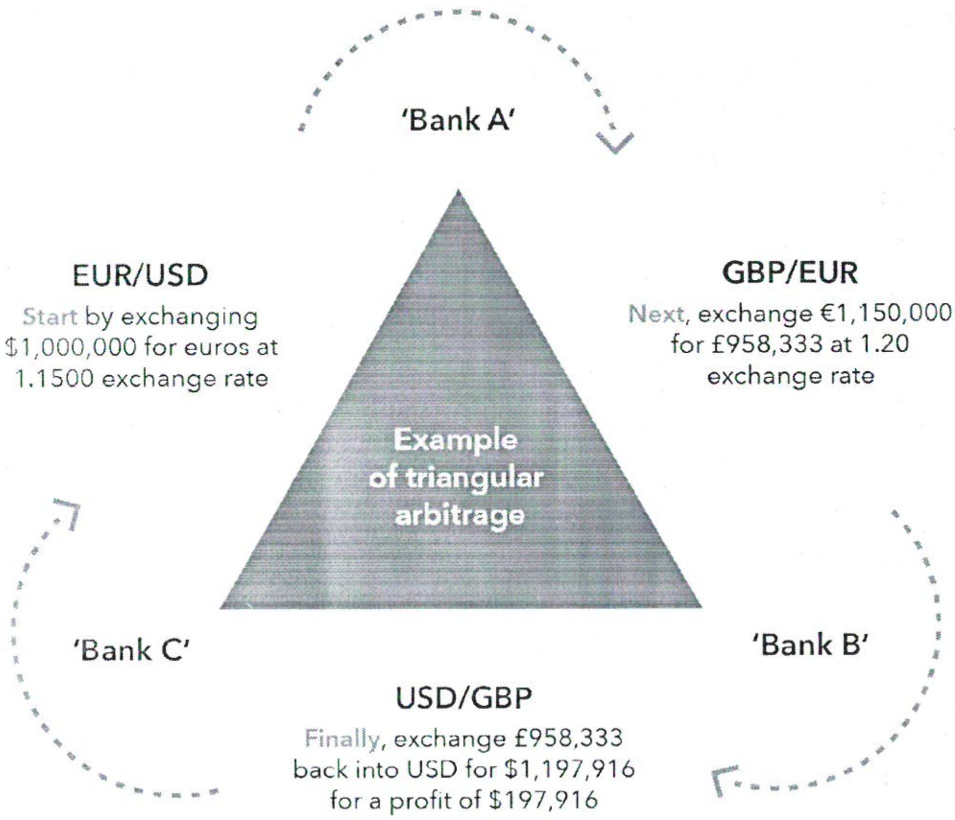
FORMULA

INDIRECT QUOTE = 1 / DIRECT QUOTE

- **Direct Quote:** Rupees 70 per USD
- **Indirect Quote** = 1/70 USD per Rupees.

5. B) Examine the process of arbitrage in foreign exchange markets.

- Arbitrage is the simultaneous purchase and sale of an asset in different markets to exploit tiny differences in their prices.
- Arbitrage trades are most commonly made in stocks, commodities, and currencies, but can be accomplished in with any asset.
- Example: when somebody buys a stock on one exchange for ten dollars and immediately sells it on another exchange for eleven dollars.
- The person has made a profit of one dollar without having to put any money at risk. This is possible because the two exchanges had different prices for the same stock.

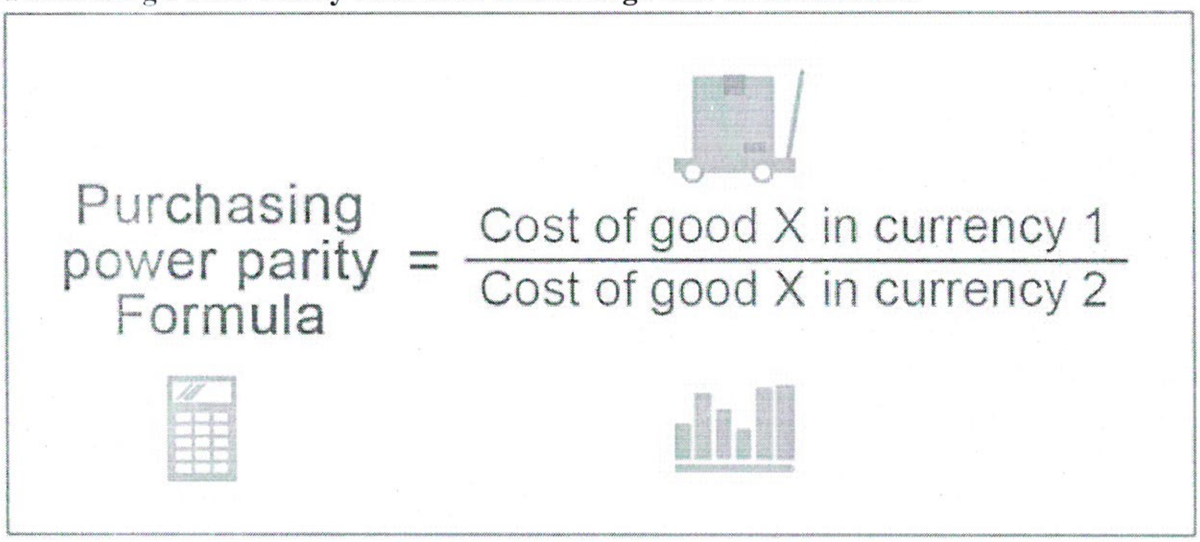


OR

6. a) What is thetheory of Purchasing Power Parity

Purchasing Power Parity (PPP) is an exchange rate theory proposed by the Swedish economist Gustav Cassel in 1918. It states that the exchange rate between two countries should adjust so that identical goods and services cost the same in both countries when expressed in a common currency. In other words, changes in inflation rates between countries lead to corresponding changes in exchange rates.

Purchasing Power Parity relevance in exchange rate determination



- Exchange rates are determined by relative price levels.

- Higher inflation causes currency depreciation.
- Lower inflation leads to currency appreciation.
- Based on the Law of One Price.
- Measures the purchasing power of currencies.
- Used to estimate equilibrium exchange rates.
- Explains long-run exchange rate movements.
- Helps compare the cost of living across countries.

6. b) Analyze the International Fisher Effect

The International Fisher Effect (IFE) is an exchange rate theory developed from the Fisher Effect proposed by Irving Fisher. It states that the difference in nominal interest rates between two countries reflects the expected change in exchange rates. A country with a higher nominal interest rate is expected to experience currency depreciation, while a country with a lower nominal interest rate is expected to experience currency appreciation.

Fisher Equation

$$(1 + i) = (1 + r) \times (1 + \pi)$$

Nominal Interest Rate
Real Interest Rate
Inflation Rate

International Fisher Effect implications for exchange rate movements.

1. Currencies with higher interest rates tend to depreciate.
2. Currencies with lower interest rates tend to appreciate.
3. Interest rate differentials influence capital flows.
4. Helps multinational corporations manage foreign exchange risk.
5. Supports international investment and financing decisions.
6. Assists investors in forecasting exchange rate changes.
7. Useful in hedging foreign currency exposure.
8. Guides monetary and exchange rate policy decisions.
9. Influences international portfolio investment.
10. Promotes equilibrium in international financial markets.

UNIT 4

7. a) Demonstrate contracts how currency futures are used by multinational corporations for hedging.

Multinational corporations use currency futures to lock in specific exchange rates for future dates, shielding their profit margins against adverse currency movements. By taking a futures position that offsets their underlying cash flow exposure, MNCs minimize financial volatility and ensure predictable earnings in their reporting currency

MNCs Use Currency Futures for Hedging

1. **Identify foreign currency exposure** (receivables or payables).
2. **Choose the appropriate currency futures contract.**
3. **Take a futures position:**
   - **Buy (Long) Futures** – To hedge future foreign currency payments (imports).
   - **Sell (Short) Futures** – To hedge future foreign currency receipts (exports).
4. **Lock in the exchange rate** for future transactions.
5. **Offset losses in the spot market** with gains in the futures market.
6. **Reduce uncertainty caused by exchange rate fluctuations.**

7. **Ensure predictable cash flows and profits.**
8. **Protect the firm's financial performance from currency risk.**

7 b) **Explore the mechanisms through which the Euro credit market supports multinational corporations.**

The Euro credit market supports multinational corporations (MNCs) by providing large-scale, cost-effective capital outside domestic regulatory constraints. Key mechanisms include syndicated loans for massive funding, multi-currency access to hedge foreign exchange risk, and flexible credit facilities tailored to global working capital needs and international expansion

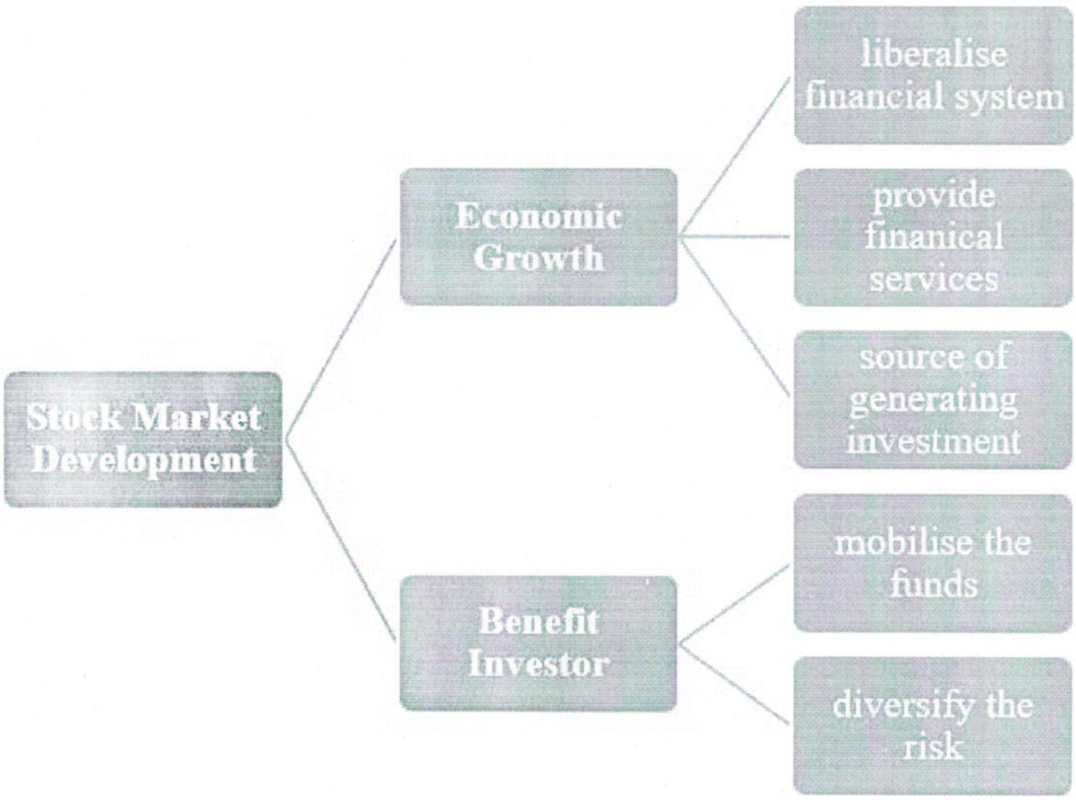
Mechanisms of the Euro Credit Market - multinational corporations.

- Bypassing Domestic Regulations
- Large-Scale Syndicated Lending
- Currency Flexibility and Hedging
- Tailored Financial Instruments
- Support for Global Supply Chains

OR

8. a) Summarize the structure and development of international stock markets.

International stock markets operate as a decentralized, electronic global auction where corporate shares are bought and sold. Today, this landscape is heavily dominated by the United States—which accounts for approximately \(60\%\) of global equity value—followed by major regional hubs like London, Tokyo, Hong Kong, and Euronext



8 **b) Compare domestic stock markets with international stock markets in terms of investment opportunities.**

Feature	SEC (US)	SEBI (India)
Primary Focus	Protects investors, ensures fair markets, and helps raise capital.	Protects investors, promotes market growth, and regulates intermediaries.
Regulatory Approach	It focuses mainly on transparency and making sure information is shared.	A mix of transparency and rules that protect both investors and the market.
Enforcement Powers	Has strong powers like fines, court orders, and even criminal cases.	Also has strong powers, including penalties and market interventions.
Market Structure	A very developed market with multiple exchanges and platforms.	An improving market with multiple exchanges and a solid demat system.

UNIT 5

9 a) Discuss the importance of international cash management in multinational corporations

Mean:

International Cash Management refers to the management of cash flows (inflows and outflows) of a multinational company across different countries.

- It focuses on efficient use, movement, and control of cash globally to ensure liquidity and reduce costs.

Definition

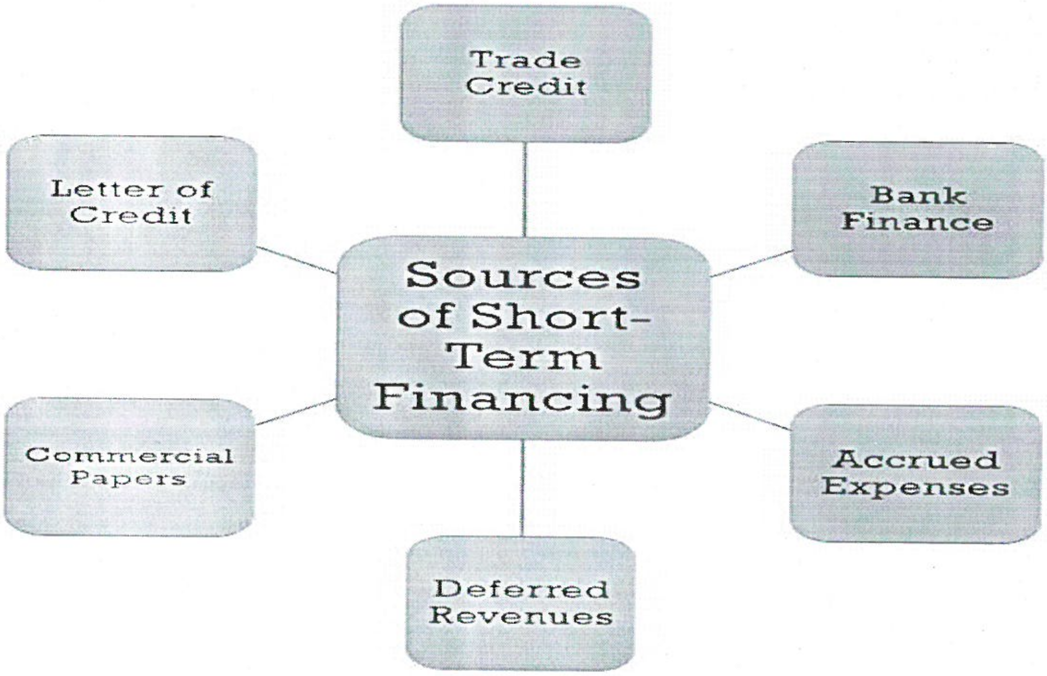
- International Cash Management = Managing cash in multiple countries to optimize liquidity and minimize cost.

Example

- An Indian multinational company has branches in the USA and UK:
- USA branch has **excess cash ($1 million)**
- UK branch has **cash shortage (£500,000)**
- The company transfers funds from the USA to the UK branch instead of borrowing externally.
- Maximize Returns
- Minimize Costs
- Mitigate Risks
- Optimize Working Capital
- Improve Liquidity
- Enhance Visibility

9. b) Explain the role of short-term financial planning in maintaining liquidity in international firms.

Short-term financial planning in international firms secures the day-to-day liquidity needed to meet global operational obligations, payroll, and debt maturities. By optimizing working capital, hedging foreign exchange risks, and leveraging international cash pooling, it prevents operational halts and reduces dependency on costly emergency financing.



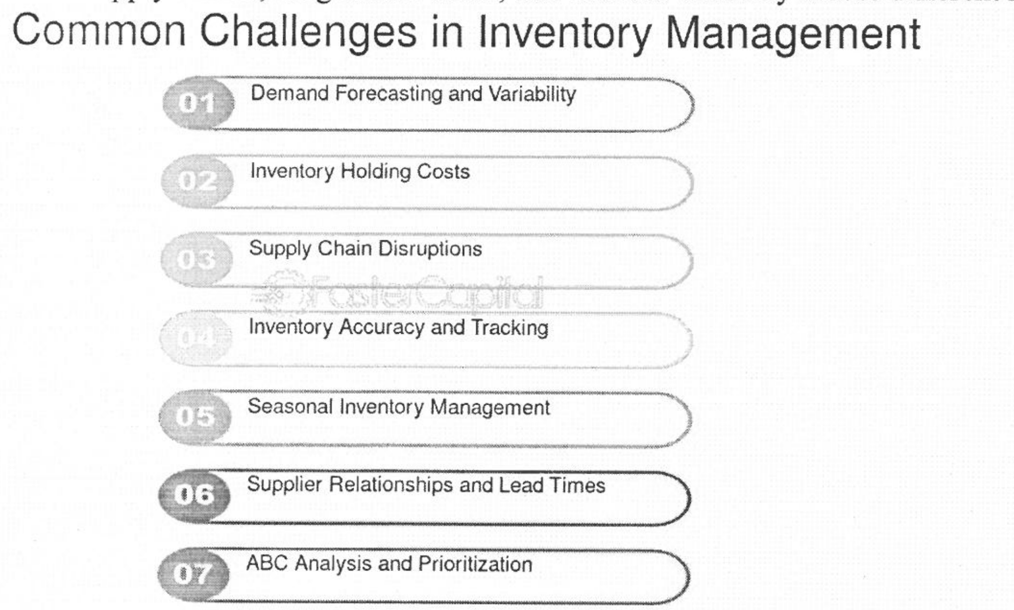
OR

10. a) Assess the risks associated with managing accounts receivables in international markets.

Managing accounts receivable (AR) in international markets exposes businesses to currency volatility, political instability, and cross-border legal complexities. These factors increase the risk of delayed payments and bad debts, requiring proactive credit assessments, diversified risk mitigation strategies, and strict cash flow management.

10. b) What are the challenges faced by multinational firms in managing global inventory levels?

Multinational firms face complex challenges in global inventory management due to fragmented supply chains, long transit times, and demand volatility across different regions.



PART – B

11.	CASE STUDY	L4	CO1	10M
Case develop as per the questions				