JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -1 EXAMINATION- 2026

BBA-V Semester

COURSE CODE (CREDITS): 24B11HS312 (4) MAX. MARKS: 15

COURSE NAME: International Finance

COURSE INSTRUCTOR: Dr. Vaishali Dhiman MAX. TIME: 1 Hour

Note: *(a) All questions are compulsory.*

(b) Use of calculator is allowed

Q.No	Question	CO	Marks
Q1	A US multinational corporation operates two foreign subsidiaries: European Subsidiary, Generates €23,400 in Year 1 (spot rate: $1.12 / €1) and €34,800 in Year 2 (spot rate: $1.18 / €1). Japanese Subsidiary, Generates ¥14,50,000 in Year 1 (spot rate: $0.0078 / ¥1) and ¥21,60,000 in Year 2 (spot rate: $0.0072 / ¥1). Assuming a cost of capital of 10% per annum: a) Calculate the total expected cash flow in USD for Year 1 and Year 2. b) Calculate the total Present Value (PV) of these cash flows to the US parent company	CO2	5
Q2	Critically compare, contrast, and elaborate on the three foundational theories explaining why firms engage in international business: the Theory of Comparative Advantage, the Product Life Cycle (PLC) Theory, and the Imperfect Markets Theory.	CO1	3.5
Q3	Suppose India and Japan produce two goods, Rice and Robots, using labor. The labor hours required to produce 1 unit of each commodity in both countries are given below:	CO2	3

Good	India	Japan
Rice (hours/unit)	5 hours	10 hours
Robots (hours/unit)	20 hours	15 hours

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	a) Which country has a Comparative Advantage in producing Rice? In producing Robots? b) Which country should specialize in producing Rice? In producing Robots?		
Q4	Statement: A US parent corporation allocates $1,000,000 to a newly appointed subsidiary manager in Europe for regional logistics expansion. Instead, the local manager spends $300,000 on luxury executive suites and hiring redundant local staff to enhance personal prestige, forcing headquarters to spend $100,000 on external international auditors to monitor the subsidiary. a) Define the Agency Problem in the context of multinational corporations and calculate the Total Agency Cost incurred by the parent firm in this scenario. b) Explain two reasons why agency costs are substantially higher for MNCs than for purely domestic firms.	CO2	2 + 1.5