SOMAIYA
VIDYAVIHAR UNIVERSITY

Dr. Shantilal K. Somaiya School of Commerce and Business Studies

QUESTION PAPERS

BRANCH: Master of Commerce (Accounting & Finance)	SEM: IV
ATKT	JUN-2026

Sr. No.	Subject	Available
1.	231P25C403 – International Finance	
2.	231P25C402 – Transfer Pricing	
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March 2026 Examination: End Semester Examination (UG/PG Programmes)		
Programme code: 25 **Programme: M.Com (Accounting & Finance)**	**Class:** SY	**Semester:** IV
Name of the Constituent College: Dr. Shantilal K. Somaiya School of Commerce and Business Studies	**Name of the Department:** Accounting & Finance	
Course Code: 231P25C403	**Name of the Course: International Finance**	
Duration : 2 Hr.	**Maximum Marks : 60**	
Instructions: 1)Draw neat diagrams 2)Assume suitable data if necessary		

Question No.		Max. Marks	CO
Q1.	Answer the Following:		CO1,2, 3
a)	Discuss the Heckscher-Ohlin model of international trade using a suitable example.	05	
b)	Identify the different components for the following quotes AED/USD 0.0034/55	05	
c)	In the context of international investment analysis, examine the impact of exchange risk, political risk, and legal risk on investment decisions.	05	
Q2.			CO1
a)	Outline the features and operational structure of the European Monetary Union and discuss the major challenges encountered since its formation.	15	
	OR		
b)	Examine the key features of the Bretton Woods System and critically evaluate its advantages and limitations in maintaining global monetary stability.	15	
Q3.			CO2, 3
a)	Spot rate – USD/CAD 1.1.088 3 month forwards quote – USD/CAD 1.2000 USD interest rate = 3.5% p.a CAD interest rate = 5% p.a Calculate interest rate arbitrage possibilities and show if profit or loss.	15	
	OR		
b)	Mr. Rohan is looking at USD/AUD 3.4545/90 and AUD/CAD 2.5555/80. From the information calculate forward rate using swap points for CAD/USD for 40 days and 70 days	15	

Period	USD/AUD	AUD/CAD
1 month	20/18	6/9
2 months	28/22	18/25
3 months	68/60	30/38

Q4.			CO4, CO5
a)	International bond investments involve purchasing bonds issued by foreign governments, corporations, or institutions, enabling investors to diversify their portfolios. In this context, explain the different types of international bonds available to investors and briefly discuss their key characteristics.	15	
	OR		
b)	Trace the evolution of financial derivatives and explain their features.	08	
c)	Explain the concept of cost of carry in futures pricing and analyse how arbitrage opportunities help maintain price equilibrium in the futures market.	07	

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12 JUN 2026

March /April 2026 **Examination: End Semester Examination (PG Programmes)**		
Programme code: 25 **Programme:** Master of Commerce in Accounting and Finance	**Class:** SY	**Semester:** IV
Name of the Constituent College: Dr. Shantilal K. Somaiya School of Commerce and Business Studies	**Name of the Department:** Accounting and Finance	
Course Code: 231P25C402	**Name of the Course:** Transfer Pricing	
Duration: 2 Hrs.	**Maximum Marks:** 60 marks	

Instructions:
1) All questions are compulsory.
2) Use of a simple calculator is permitted.
3) Figures to the right indicate the marks assigned to the questions.
4) Working notes should form part of your answers.

Q. No.		Max. Marks	CO
Q1	**Answer the following questions: (5 marks each)**		
	A. State with reasons, whether Netlon LLC., (Incorporated in Singapore) and Briggs Ltd., a domestic company, are/can be deemed to be associated enterprises for the transfer pricing regulations (Each situation is independent) of the others: (i) Netlon LLC. has advanced a loan of 53 crores to Briggs Ltd. on 12-1-2025. The total book value of assets of Briggs Ltd. is 100 crores. The market value of the assets, however, is ₹ 150 crores. Briggs Ltd. repaid 10 crores before 31-3-2025. (ii) Netlon LLC. has the power to appoint 2 of the directors of Briggs Ltd, whose total number of directors in the Board is 4. (iii) Total value of raw materials and consumables of Briggs Ltd. is 900 crores. Of this, Netlon LLC. supplies to the tune of 820 crores, at prices mutually agreed upon once in six months and depending upon the market conditions. **(5 marks)** **B.** X Ltd., operating in India, is the dealer for the goods manufactured by Yen Ltd. of Japan. Yen Ltd. owns 55% shares of X Ltd. and out of 7 directors of the company, 4 were appointed by them. The Assessing Officer, after verification of international transactions of ₹ 300 lakhs of X Ltd. for the relevant year and by noticing that the company had failed to maintain the requisite records and had also not obtained the accountants report, adjusted its income by making an addition of ₹ 30,00,000 to the declared income and also issued a show cause notice to levy various penalties. X Ltd seeks your expert opinion. **(5 marks)** **C.** Examine with reasons whether the two enterprises referred to in the independent situations given below can be deemed to be associated enterprises under the Indian transfer pricing regulations: a) QR Inc, a US company having its place of effective management also in the USA, has advanced a loan equivalent to ₹ 170 crores to Mahanadi Ltd., an Indian company on 10-42024.The total book value of assets of Mahanadi Ltd. Is ₹ 300 crores.The market value of the assets, however, is ₹ 320 crores.	15	CO 1 CO 2 CO 3

	Mahanadi Ltd. repaid ₹ 30 crores before 31-3-2025. b) Queenland plc., a French company having its place of effective management also in the France, has the power to appoint 3 of the directors of Godavari Ltd, an Indian company, whose total number of directors in the Board is 8. c) Total value of raw materials and consumables of Saraswati Ltd., an Indian company, is ₹ 900 crores. Of this, supplies to the tune of ₹ 830 crores are by Zoel GmbH, a German company having its place of effective management in Germany, at prices and terms decided by the German company. **(5 marks)**		
Q2	**A.** Santa Ltd. is an Indian Company in which Monty Inc., a US company, has 34% shareholding and voting power. Following transactions were effected between these two companies during the financial year 2024-25. • Santa Ltd. sold 2,00,000 pieces of Trousers at $ 4 per Trousers to Monty Inc. The identical Trousers were sold to unrelated party namely Trumpy Inc., at $ 6 per Trousers. • Santa Ltd. borrowed $ 4,00,000 from a foreign lender based on the guarantee of Monty Inc. For this, Santa Ltd. paid $ 20,000 as guarantee fee to Monty Inc. To an unrelated party for the same amount of loan, Monty Inc. collected $ 14000 as guarantee fee. • Santa Ltd. paid $30,000 to Monty Inc. for getting various potential customers details to improve its business. Monty Inc. provided the same service to unrelated parties for $ 20,000. Assume the rate of exchange as 1 $ = ₹ 90. Santa Ltd. is located in a Special Economic (SEZ) and its income before transfer pricing adjustments for the year ended 31st March,2025 was ₹ 2400 lakhs. Compute the adjustments to be made to the total income of Santa Ltd. Assuming that such adjustments are made by the Assessing Officer, state whether it can claim deduction under section 10AA for the income enhanced by applying transfer pricing provisions. **(15 marks)**	**15**	**CO 1**
	OR		
	B. What are the situations where an enterprise becomes deemed associate enterprise as per section 92A(2) and also elaborate with the help of examples **(15 marks)**	**15**	**CO 3**
Q3	**A.** Henry Ltd., Florida holds 42 % shares in James Ltd., India. James Ltd. develops software and does both onsite and offsite consultancy services for the customers. James Ltd. during the year billed Henry Ltd. Florida for 240 man-hours at the rate of ₹3600 per man hour. The total cost (direct and indirect) for executing this work amounted to ₹4,50,000. However, James Ltd. billed Boni Ltd., India at the rate of 5600 per man hour for the similar level of manpower and earned a Gross Profit of 50% on its cost. The transactions of James Ltd. with Henry Ltd. and Boni Ltd. are comparable, subject to the following differences: • While James Ltd. derives technology support from the Henry Ltd., there is no such support from Boni Ltd. The value of technology support received from Henry Ltd. may be put at 20% of normal gross profits. • As Henry Ltd. gives business in large volumes, James Ltd. offered to Henry Ltd., a quantity discount which may be valued at 12% of normal gross profits. • In the case of rendering services to Henry Ltd., James Ltd. Neither runs any risk nor incurs any marketing costs. On the other hand, in the case of services to Boni Ltd., James Ltd. has to assume all the risk and costs associated with the marketing function which may be estimated at 15% of the normal gross profits. • James Ltd. offered one month credit to Henry Ltd. The cost of providing	**15**	**CO 2**

	such credit may be valued at 3% of the gross profits. No such credit was given to Boni Ltd. Compute the Arm's Length Price along with income to be increased under the Cost-Plus Method. **(15 marks)**		
	OR		
	B. DIY Ltd., a company registered in India and subsidiary of CD Inc., a company registered in Austria. DIY Ltd. engaged in the manufacturing of fabric. To arrive at the arm's length price applicable to its transactions with CD Inc., DIY Ltd. enters into an advance pricing agreement with the Board on 25th November, 2024. Accordingly, there will be a substantial change in the income of DIY Ltd. Also, DIY Ltd. wishes to apply for roll back provisions to PY 2020-21, 2021-22, 2022-23 and 2023-24. The AO wants to apply such transfer pricing provisions from the year in which DIY Ltd. Became the subsidiary of CD Inc. i.e., AY 2017-18 onwards. DIY Ltd. had filed its return of income for the AY 2024-25 on 26th August 2024 and for AY 2025-26, on 31st August, 2025. The assessments for the AYs 2021-22 to 2024-25 are completed but the assessment of AY 2025-26 is pending on the date of entering into APA. You are required to answer the following questions: (i) Whether the AO is correct to apply the transfer pricing provisions from AY 2017-18 onwards? (ii) In respect of AY 2021-22, the transfer price arrived at by the Board is resulting in reduction in income of the assessee. Discuss whether the roll back provisions can be applied for that AY as well. (iii) What will happen to completed as well as pending assessments? **(15 marks)**	**15**	**CO 3**
Q4	**A.** Tick Ltd., Australia, holds 30% equity shares in Toe Ltd., India. Toe Ltd. develops software and also provides the related support services. Toe Ltd. during the year billed Tick Ltd., Australia for 150 man-hours at the rate of ₹ 2,500 per man hour. The total cost (direct and indirect) for executing this work amounted to ₹ 3,50,000. However, Toe Ltd. billed GN Ltd., India at the rate of ₹ 3,500 per man hour for the similar level of manpower and earned Gross Profit of 40% on its cost. The transactions of Toe Ltd. with Tick Ltd. and GN Ltd. are comparable, subject to the following differences: (i) While Toe Ltd. also derives technological support from Tick Ltd., there is no such support from GN Ltd. The value of technological support received from Tick Ltd. may be put at 15% of normal gross profits, (ii) As Tick Ltd. gives business in large volumes, Toe Ltd. offered to Tick Ltd., a quantity discount which may be valued at 10% of the normal gross profits, (iii) In the case of rendering services to Tick Ltd., Toe Ltd. neither runs any risk nor incurs any marketing costs. On the other hand, in the case of services to GN Ltd., Toe Ltd. has to assume all the risks and costs associated with the marketing function which may be estimated at 20% of the normal gross profits, (iv) Toe Ltd. offered one month credit to Tick Ltd. The cost of providing such credit may be valued at 5% of the normal gross profits. No such credit was given to GN Ltd. **(15 marks)**	**15**	**CO 4**
	OR		
	B. Elaborate the limitations of interest deduction in certain cases (Section 94B). **(15 marks)**	**15**	**CO 4**