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| **SESSION** | **AUG-SEP’23** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **COURSE CODE & NAME** | **DFIN401 –** | **INTERNATIONAL** | **FINANCIAL** |
| **MANAGEMENT** |  |  |
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**Assignment Set – 1**

**1. Discuss different methods to manage or hedge translation exposure.**

**Ans 1.**

Managing or hedging translation exposure, which is the risk that a company's financial statements can be affected by changes in exchange rates, involves several strategies. Each method has its benefits and drawbacks, and the choice depends on the company's specific circumstances and risk tolerance.

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**2. Discuss different types of "letters of credit" by examining their features and giving examples of when each type is most appropriate. 10**

**Ans 2.**

Letters of credit (LCs) are vital financial instruments in international trade, providing a guarantee from a buyer's bank (issuing bank) to the seller's bank (advising bank) for payments due on goods or services. This assurance helps mitigate risks associated with cross-border transactions. There are several types of LCs, each with distinct features and ideal

**3a) Examine the international fisher effect.**

**b) Discuss the international credit market**

**Ans 3.**

The International Fisher Effect (IFE) and the international credit market are two vital concepts in international finance, each playing a crucial role in understanding global financial dynamics.

**a. International Fisher Effect (IFE)**

The International Fisher Effect is a theory that suggests a strong link between changes in

**Assignment Set – 2**

**4.a) Discuss the concept of foreign exchange transactions with example.**

**b) Describe the balance of payment concept.**

**Ans 4.**

Foreign exchange transactions and the balance of payments are two fundamental concepts in international finance. Understanding these concepts is essential for grasping how countries interact economically and how global financial markets operate.

**a. Foreign Exchange Transactions**

Foreign exchange transactions refer to the process of exchanging one currency for another. This exchange is crucial for global trade, investment, and finance. For instance, if a company in the United States wants to buy goods from a company in Germany, it must convert its US dollars into euros to complete

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**5.a) Illustrate the concept of international arbitrage.**

**b) Discuss the concept of forward contract in Foreign Exchange.**

**Ans 5.**

International Arbitrage and Forward Contracts in Foreign Exchange

**International Arbitrage**

International arbitrage is a fundamental concept in financial markets, particularly in the context of foreign exchange. It involves taking advantage of price differentials for the same asset in different markets. There are three main types of international arbitrage: locational, triangular, and covered interest

* The primary benefit of a forward contract is the

**6. Analyze and evaluate the different instruments used in import financing.**

**Ans 6.**

Import financing plays a pivotal role in global trade, enabling businesses to manage cash flow effectively while importing goods. This analysis will delve into the various instruments commonly used in import financing, evaluating their functionalities, benefits, and limitations.

**1. Letters of Credit (LCs)**

**Functionality:** Letters of Credit are issued by a bank on behalf of the importer promising to pay the exporter upon the fulfillment of specified conditions. This involves presenting required