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| **SESSION** | **FEB - MARCH 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **COURSE CODE & NAME** | **DFIN401 – INTERNATIONAL FINANCIAL MANAGEMENT** |
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**Assignment Set – 1**

**1. Explain the concept of balance of payment. Discuss the components of balance of Payment**

**Ans 1.**

**Balance of Payment: Concept and Components**

The balance of payment (BoP) is a comprehensive record of a country's economic transactions with the rest of the world over a specific period. It includes all transactions between residents of a country and non-residents, reflecting the economic activities such as trade, investments, and financial transfers. The BoP is crucial for understanding the financial and economic status of a country and is divided into three main components: the current account, the capital account, and the financial account.

The BoP provides a systematic record of all economic transactions between residents of a country and the rest of the world. It helps in monitoring the economic performance of a

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**2. Discuss the various ways to finance exports in the Pre and post-shipment stage. 10**

**Ans 2.**

**Financing Exports in the Pre and Post-Shipment Stages**

Export financing is essential for supporting exporters in managing their cash flow and mitigating risks associated with international trade. Export finance can be divided into two main stages: pre-shipment and post-shipment. Each stage involves different methods to ensure that exporters have the necessary funds to produce goods and manage their business operations effectively.

**Pre-Shipment Financing**

Pre-shipment finance provides working capital to exporters before the actual shipment of

**3a. Discuss Currency Options with suitable example.**

**b. Illustrate the concept of international arbitrage.**

**Ans 3.**

**a. Currency Options with Suitable Example**

A currency option is a financial derivative that gives the holder the right, but not the obligation, to buy or sell a specific amount of a currency at a predetermined exchange rate (strike price) on or before a specified date. Currency options are used by businesses and investors to hedge against foreign exchange risk or to speculate on currency movements.

There are two types of currency options: call options and put options. A call option gives the

**Assignment Set – 2**

**4. Discuss the nature and measurement of foreign exchange exposure.**

**Ans 4.**

Foreign exchange exposure refers to the risk that a company’s financial performance or position will be affected by changes in exchange rates. This risk is inherent in any company that conducts business across national borders or deals in multiple currencies. Foreign exchange exposure can be broadly categorized into three types: transaction exposure, translation exposure, and economic exposure.

Transaction exposure arises from the effect of exchange rate fluctuations on a company’s

**5. What do you understand by foreign exchange risk. Discuss various techniques of managing the foreign exchange risk.**

**Ans 5.**

**Understanding and Managing Foreign Exchange Risk**

Foreign exchange risk, also known as currency risk, arises from the fluctuations in exchange rates between two currencies. This risk affects businesses, investors, and governments engaged in international trade and investment. When exchange rates fluctuate, the value of future cash flows, assets, and liabilities denominated in foreign currencies can change,

**6. Discuss the concept of international capital budgeting from parent firm’s perspective.**

**Ans 6.**

**International Capital Budgeting from the Parent Firm's Perspective**

International capital budgeting is the process by which a parent firm evaluates and selects long-term investment projects in foreign countries. This process involves analyzing the potential returns and risks associated with overseas investments to make informed decisions that align with the firm's strategic objectives. From the parent firm's perspective, international