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| **SESSION** | **JUL - AUG 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 Role of Factoring in Import Finance. How Does It Help in Mitigating Risks and Enhancing Cash Flow for Importing Businesses? Illustrate with Examples of Successful Applications.**

**Ans 1.**

Factoring is a financial service that involves selling accounts receivables to a third party, known as a factor, at a discounted rate. This mechanism allows businesses to access immediate cash flow without waiting for payments from their debtors. In the context of import finance, factoring plays a critical role in bridging the gap between payment obligations to foreign suppliers and the receivables from local buyers. It is a valuable tool for importing businesses to manage risks, enhance cash flow, and ensure smooth operations.

**Role of Factoring in Import Finance**

1. **Improved Cash Flow:** Importing businesses often face delayed payments from buyers while needing to pay suppliers upfront. Factoring addresses this challenge by providing

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**2. Examine the Concept of International Capital Budgeting for Multinational Corporations (MNCs). What Are the Specific Factors That Make It Different from Capital Budgeting for Domestic Companies?**

**Ans 2.**

International capital budgeting is the process by which Multinational Corporations (MNCs) evaluate and select investment projects in foreign markets. It involves assessing the potential profitability and risks associated with projects that extend beyond national borders. While the fundamental principles of capital budgeting—such as cash flow analysis, net present value (NPV), internal rate of return (IRR), and payback period—are consistent with domestic capital budgeting, the international context introduces complexities that require additional

**3. Describe Different Types of Foreign Exchange Rates with Suitable Examples, and Discuss the Concept of Balance of Payments**

**Ans 3.**

**Types of Foreign Exchange Rates**

Foreign exchange rates play a pivotal role in international trade and finance by determining the value of one currency in terms of another. Different types of foreign exchange rates reflect the mechanisms and influences that govern these valuations. Broadly, they can be classified as fixed exchange rates, floating exchange rates, and hybrid systems. Each type has unique characteristics and implications for economic policies and international transactions.

Fixed exchange rates are established when a country’s currency value is pegged to another currency or a basket of currencies. For example, under the Bretton Woods system, the US dollar was pegged to gold, and other currencies were tied to the dollar. Fixed rates offer stability and

**Assignment Set – 2**

**4. Explain How the International Money Market Provides Access to a Diverse Range of Foreign Currencies. What Advantages Does This Offer to Individuals and Businesses Engaged in Global Transactions?**

**Ans 4.**

**Access to Diverse Foreign Currencies Through the International Money Market**

The international money market is a dynamic and integrated financial marketplace that facilitates the borrowing, lending, and exchange of foreign currencies. It operates through a network of financial institutions, including banks, central banks, and multinational corporations, and provides access to diverse currencies required for global trade, investments, and hedging against currency risks. The market’s extensive reach and liquidity make it a cornerstone of international finance, enabling seamless currency transactions across borders.

For individuals, access to foreign currencies in the international money market simplifies travel, education abroad, and remittances. Travelers, for instance, can exchange their domestic

**5. Examine Various Methods for Assessing Country Risk and Provide a Suitable Example for Each**

**Ans 5.**

Country risk refers to the potential economic, political, and social challenges that businesses or investors face when operating in or investing in a foreign country. Assessing country risk is crucial for making informed decisions and mitigating losses. Several methods are used to evaluate different dimensions of country risk, each offering insights into potential challenges.

**Economic Risk Assessment**

Economic risk evaluates a country’s financial stability, fiscal policies, and economic conditions. Methods include analyzing macroeconomic indicators like GDP growth, inflation,

**6. Examine the Various Internal and External Hedging Techniques Used to Manage Foreign Exchange Exposure. Evaluate the Advantages and Limitations of Each Approach for Multinational Corporations**

**Ans 6.**

Foreign exchange exposure arises when fluctuations in exchange rates affect the value of international transactions, assets, or liabilities. Multinational corporations (MNCs) use internal and external hedging techniques to manage this risk and protect their profitability. Each approach has distinct advantages and limitations.

**Internal Hedging Techniques**

Internal techniques involve strategies within the corporation’s operations to mitigate currency