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| **SESSION** | **JULY-AUGUST 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **3** |
| **COURSE CODE & NAME** | **DIBM301 INTERNATIONAL FINANCIAL MANAGEMENT** |
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**Assignment Set – 1**

**1. Explain Globalisation and outline the four phases of rapid globalisation across the world.**

**Ans 1.**

**Globalization** refers to the increasing interconnectedness and interdependence of nations, economies, and cultures through the exchange of goods, services, capital, information, and people across international borders. This phenomenon has been driven by advancements in technology, transportation, communication, and policy liberalization, leading to a more integrated global economy.

The process of globalization has transformed the way businesses operate, impacting economic growth, trade, and cultural exchanges. However, globalization also poses

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**2. Write Short note on:**

**i. Interest rate parity**

Interest rate parity (IRP) is a fundamental concept in international finance that explains the relationship between interest rates and exchange rates. It asserts that the difference in interest rates between two countries is directly related to the expected change in the exchange rate between their currencies. Essentially, IRP ensures that no arbitrage opportunities exist in the foreign exchange markets, as differences in interest rates are offset by changes in currency values. There are two forms of IRP: covered interest rate parity (CIRP) and uncovered

**3. Describe the components of balance of Balance of Payments.**

**Ans 3.**

The **Balance of Payments (BOP)** is a comprehensive record of a country’s economic transactions with the rest of the world over a specific period. It encompasses all inflows and outflows of funds related to trade, investment, and financial transfers, providing insights into the country’s economic standing in the global context. The BOP is structured into three main components: the current account, the capital account, and the financial account. Together, these accounts must balance, ensuring that any deficit or surplus in one area is offset by

**Assignment Set – 2**

**4. Define cross-border acquisition and discuss its effects?**

**Ans 4.**

A **cross-border acquisition** occurs when a company from one country acquires a controlling stake in or merges with a company located in another country. This strategic business activity enables firms to expand their operations globally, access new markets, and gain a competitive edge. Cross-border acquisitions often involve purchasing an existing business, allowing the acquiring company to bypass the challenges of starting operations from scratch, such as

**5. What aggressive and defensive approaches can a firm use in hedging?**

**Ans 5.**

Hedging is a risk management strategy employed by firms to mitigate the impact of adverse price or rate movements in financial markets. Companies exposed to currency, interest rate, or commodity price fluctuations often use hedging to safeguard their profits and stabilize operations. Depending on their risk tolerance and market outlook, firms may adopt aggressive or defensive approaches to hedging.

An **aggressive hedging approach** involves proactive strategies aimed at maximizing

**6. “Factoring is an efficient financing technique.” Comment.**

**Ans 6.**

Factoring is a financial service that allows businesses to convert their accounts receivable into immediate cash by selling them to a third party, known as a factor. This technique provides a reliable source of working capital, enabling firms to maintain liquidity and manage their cash flows effectively. Factoring is considered an efficient financing technique due to its numerous benefits, particularly for small and medium-sized enterprises (SMEs) that often face challenges in accessing traditional credit facilities.

One of the primary advantages of factoring is its ability to provide quick access to funds.