**International Finance’**

**December 2021 Examination**

**1. A multinational company is looking to raise USD 50000000 for its expansion strategy across different countries, where they are only present as of now. Based on their financial capital structure, the HQ decides to go for funding by issuing bonds in the international market. Describe the two broad categories of international bond markets. Briefly explain the various types of bond instruments that the MNC can consider issuing in the international bond market. (10 Marks)**

**Ans 1.**

**Introduction**

An international bond market offers a market for the trading of bonds issued beyond national boundaries. It attracts buyers from several international locations. The bonds traded in global bond markets are known as global bonds. By and large, the provider of global bonds issues them within the provider's domestic foreign money. But, it may no longer be the case always. As a substitute, the issuing money of the bond is decided based totally on the anticipated subscription. Primarily based on this, bonds may be denominated in USD or Euro. Just like the different Its Half solved only

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**2. A forex trader from Mumbai collects the below information regarding the exchange rate between INR and USD:**

**Bid Price: INR / USD = 74.2400**

**Ask Price: INR / USD = 74.2500**

**You are required to help him with the below questions he has:**

**(a) What is the direct exchange rate of INR-USD for the trader?**

**(b) What is the indirect exchange rate of INR-USD for the trader?**

**(c) What is a cross rate? If the bid and ask rate for USD-EUR are available as USD 1.16776-1.16782/EUR, what would be the bid-ask rates for INR/EUR, using the cross-rate method (10 Marks)**

**Ans 2.**

**Introduction:**

A foreign exchange rate is the rate of alternate among two one-of-a-kind currencies within the foreign exchange market. It implies the quantity of 1 currency given by using a person to reap the desired amount of every other currency. for instance, if a trader in India wants to get U.S. bucks, they have to pay for it in INR. The value of Indian foreign money given to get a dollar is the exchange charge among the USD and the INR. There are two additives of a foreign exchange

**3. Kine, fancy footwear manufacturing company has an obligation to pay MXN 14 million in 30 days for a recent shipment from Mexico. The CFO of Kine is contemplating hedging the company’s MXN exposure on this transaction. She collects the below information regarding the interest rates and exchange rates, from her forex trader:**

**Spot Rate: MXN 20.08 / USD**

**Forward Rate: MXN 20.28 / USD**

**30-day Put Option on USD MXN 19.50 / USD: 1% Premium**

**30-day Call Option on USD MXN 20.50/ USD: 3% Premium**

**USD 30-day interest rate (annualized): 7.5%**

**MXN 30-day interest rate (annualized): 15%**

**You are required to answer the below questions to assist the CFO:**

**a. What are the hedging options available to Kine? What is the hedged cost of Kine’s payable using a forward market hedge and using a put option hedge? (5 Marks)**

**Ans 3a.**

**Introduction**

The number one purpose of the hedging association is to keep away from any good-sized loss that an entity may incur because of foreign exchange price fluctuation. It is executed by using combating the loss on one transaction with the advantage on any other exchange. In overseas forex transactions, the threat of failure is high because of fluctuation in foreign money quotes

**b. What is the hedged cost of Kine’s payable using money market hedge? (5 Marks)**

**Ans 3b.**

**Introduction:**

A foreign exchange transaction may have certain benefits like exposure in unfamiliar territory. However, it does have certain risks also. While an entity enters into a foreign exchange transaction, it exposes itself to foreign exchange risk. Overseas foreign money transactions are