**Financial Institutions and Markets**

# September 2022 Examination

**Q1. Mukesh wants to invest and diversify his portfolio in mutual funds, bonds, and debentures. Since he is unaware of these financial products, he seeks to advice from the Relationship Manager. As a relationship manager, guide Mukesh on the above options stating the pros and cons of each of the investment vehicles. (10 Marks)**

**Ans 1.**

**Introduction**

The investment includes allocating money in the direction of numerous assets in the desire to create a secure and higher destiny. Investments are made with the view of income, which will increase the invested quantity to a better amount. investment is significant to accomplish the financial targets and dreams of the investor. by making investments, someone can also make savings and acquire a quantity for a challenging and complex day. Additionally, continuous investments assist someone in setting apart a sum frequently, thereby helping improve a sense of

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**Q2. Nisha has completed her graduation and had started working in an MNC. She was able to save a good amount every month so she thought of making investments. She had heard about the capital market from her friend. She decided to approach her friend to understand the process which is carried out for carrying out trading in stock market operations. Help Nisha to understand the trading mechanism in the secondary market. (10 Marks)**

**Ans 2.**

**Introduction**

The secondary market is a market wherein securities are traded. In this market, buyers do securities transactions from other investors without the involvement of the issuing companies. This is the market wherein investors buy and sell securities amongst themselves. The secondary market does now not provide financial assistance to issuing businesses. Inside the secondary market, the amount acquired for security is earned with the aid of the investor promoting the

**Q3. XYZ Corp. Limited is engaged in manufacturing garments in India since 1950. The company has been catering to the Indian market till now. As part of the company’s growth strategy, the company would like to extend the markets for its products to other countries. However, the company’s promoters lack awareness and expertise in understanding and managing the fluctuations related to foreign currency. Mr. Kishan Kumar, the CFO of the company, has been asked to make a presentation to the board specifying the following:**

**a. Key economic parameters/developments that influence the movements in foreign currency. (5 Marks)**

**Ans 3a.**

**Introduction:**

The Indian textile industry is one of the largest industries in the global, with a vast raw material and textiles business base. Indian financial system is primarily dependent on textile manufacturing and change. Greater than 20% of the foreign exchange incomes are on account of the export of textiles and clothing alone. Millions of people are, without delay, employed in the

**b. Discuss the available options with ABC Corp. to manage/mitigate the forex risks (5 Marks)**

**Ans 3b.**

**Introduction:**

Foreign exchange risk arises when a company depends on foreign forex that should be decoded into a domestic currency. Fluctuations within the exchange rate have now grown to be very obvious. Businesses cannot control the fluctuation of trade costs. However, they can manage the risk. There are options or tools available for an employer to mitigate