**International Banking & Foreign Exchange Management**

**December 2022 Examination**

**1. Your company is planning to expand its operations to other countries. Imagine yourself in the role of the company's financial manager. Management has asked you to explain to them about the forex market and its functioning and how their company business would get affected by it. (10 Marks)**

# Ans 1.

# Introduction

A financial manager is a person responsible for carrying out many particular tasks related to the management of financial matters of the organization in an effective and green manner. Because the company is trying to increase out of the country, it will require numerous various things with a view to controlling the finance of the organization powerfully and efficiently. one of the essential things which could affect the operations of the country are associated with forex and change price. as the values of different currencies are distinctive and are valued according with specific rates that are called the change rates. The change rate may be defined as a price at which

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**2. An Indian import export house has a currency exposure of 10 million Japanese Yen. Assume that Yen is not directly quoted against INR. The current spot rates are USD/INR = 79.97 and USD/JPY =137.56. It is estimated that Yen will depreciate to 164 level and the Rupee to depreciate against the Dollar to 83. The Forward rate for December 2022 is USD/YEN = 147.56 and USD/INR 82.52. Given that the actual spot rate on 30 December 2022 was USD/YEN = 137.85 and USD/INR = 79.99, what hedging decisions an Indian company should take? (10 Marks)**

**Ans 2.**

**Introduction:**

A business transaction in the international marketplace gives advantages like diversification, more significant publicity, and possibilities to gain in foreign currency denominations. However, it additionally has positive shortcomings, like fluctuating currency trading rates. These fluctuations may additionally sometimes convert a profitable transaction into a loss-making one. The forex fluctuations affect the enterprise employer's cash flow and the balance sheet's function of assets and liabilities. It is critical to managing those variations. The maximum common

**3. Open currency position is subjected to exchange rate risk. Suppose you are doing training in the treasury department of the bank. The manager has asked you to prepare a report on the following:**

**a. Position limits on a currency that a dealer can carry during regular trading hours. (5 Marks)**

# Ans 3a.

# Introduction

Position limits may be defined as a term used to outline the extent of ownership that a dealer or supplier of the foreign exchange market can own for a pre-set quantity of time. The leading cause of the position limit is to make sure that no supplier or investor can have more than an ok

**b. Position limits on a currency that a dealer can carry over to the next day up to this limit. (5 Marks)**

# Ans 3b.

# Introduction

There are many distinctive kinds of role limits that currency investors can carry out. The limit is the overnight restriction, which is a position limit on the quantity of currency the currency dealer can bring the next day or overnight. This limit is positioned on the amount of currency a trader