**International Banking & Foreign Exchange Management**

**April 2023 Examination**

**Q1. Your company is planning to expand its operations to other countries. CEO has contacted an international bank to understand that how it can help them to expand the business to other countries. Assume yourself in the role of bank manager. Your job is to explain the CEO about product and services offered by your bank for foreign trade? (10 Marks)**

**Ans 1.**

**Introduction**

The business may be described as buying and selling products from companies to customers. These activities are specifically carried out for the only cause of income profits. There should be a difference between the price charge of the product and the promotion rate of the product so that a business person can achieve a margin of income for survival as well as growth and growth.

Then again, each business person desires to grow their business by increasing business activities to earn more earnings. Expansion is a complicated undertaking. It can only be

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**Q2. An Indian import export house has a currency exposure to 10 million GBP. Assume that GBP is not directly quoted against INR. The current spot rates are USD/INR = 79.97 and USD/GBP =0.85. It is estimated that GBP will depreciate to 0.89 level and Rupee to depreciate against Dollar to 83. The Forward rate for December 2022 USD/GBP = 0.88 and USD/INR 82.52. Given that the actual spot rate on 30 December 2022 was USD/YEN**

**= 0.86 and USD/INR = 79.99, what hedging decisions an Indian company should take? (10 Marks)**

**Ans 2.**

**Introduction**

Hedging can be described as analogous to taking out an insurance policy. If someone owns a house in a flood-prone area, we will need to guard that asset against the loss in case of flooding- to hedge it, in different phrases, by taking flood insurance. In this instance, we can't prevent the uncertainty of flood, but we can work beforehand to decrease the risks if and when a flood occurs.

There's a danger-reward tradeoff in hedging. While it minimizes the capability chance, it

**Q3. Open currency position is subjected to exchange rate risk. Suppose you are doing training in the treasury department of bank. The manager has asked you to prepare report on the following:**

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

**Ans 3a.**

**Introduction**

Treasury provides a diverse career in finance with lots of earning opportunities. We could work worldwide and for any organization, from nonprofit and large global organizations to small and medium startups and organizations. The treasury function will change depending on the nature and size of each employer. Whatever commercial enterprise or type of business

**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**

The overnight limit can be described as the most internet position in a single currency or more than one currency or asset contracts that a trader or an investor can carry over one trading day to another, the next day, overnight. Within the foreign exchange marketplace, overnight usually begins