**International Finance**

**September 2023 Examination**

**Q1. An Indian steel manufacturer looking to expand its operations in United Nations. He does not have any idea to enter to the international markets. He hires a consultant from big investment bank to suggest challenges and different options to enter to the international markets. Assume yourself as a Manager of Investment Bank and discuss about different ways to enter to international markets and trade barriers. (10 Marks)**

**Ans:**

**Introduction**

Because the supervisor of a leading funding financial institution, I'm delighted to work with an Indian steel manufacturer looking to expand its operations into global markets. The choice to enter foreign markets affords numerous possibilities and challenges, making it imperative for the organization to adopt a well-notion-out method. This report will offer an in-depth evaluation of multiple alternatives for the company to enter international markets and the capacity trade obstacles they will stumble upon.

**Concept & Application**

**1. Exporting:**

Exporting is the most effective and commonplace approach for companies entering overseas markets. The Indian steel manufacturer can promote its merchandise at once to customers in

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**Q2. An Indian company has exported goods worth GBP 10 million, receivable after three months, to a UK-based company. The forward rates are given below:**

**Exchange rate quotation:**

**GBP-INR 0.9948-0.9968**

**Three months 50-35**

**Questions:**

**Explain the process of hedging with currency futures for the above case. Explain whether GBP is depreciating or appreciating with respect to INR in the near future. Calculate Notional Profit/ Loss, if the spot rate after three months will be GBP-INR 0.9985- 0.9998.**

**Ans :**

**Introduction:**

Currency hedging is a change management method employed by companies engaged in worldwide change to guard themselves against potential losses due to fluctuations in exchange charges. While an Indian agency exports goods worth GBP 10 million to a UK-primarily based company, it exposes itself to forex fee threat. The British Pound (GBP) cost in Indian Rupees (INR) can also trade over the next three months, affecting the last amount the Indian company gets in INR. To mitigate this threat, the Indian business enterprise can use currency futures contracts.

**Concept & Application:**

Forex hedging is a vital threat management tool utilized by companies engaged in

**Q3a. Calculate the exchange rate between EURO INR based on the following Information.**

**Euro GBP 0.8800- 0.8820**

**INR GBP 0.100- 0.130 (5 Marks)**

**Ans :**

**Introduction:**

The foreign exchange market is pivotal in facilitating international trade and investment in today's rapidly converting worldwide financial landscape. Currencies from numerous countries constantly interact, mainly with the dedication of trade rates that govern the value of 1 foreign money relative to another. Most currencies traded in this giant market, the Euro (EUR) and the Indian Rupee (INR), are significant due to their impact on the European and

**Q3b. If the expected three months future interest rate in European Union and India are 2% and 6% respectively. three months expected inflation rate in European Union and India 5% and 7% respectively. Calculate the three months forward quotation based between EURO GBP based on this. (5 Marks)**

**Ans :**

**Introduction:**

The foreign exchange market is crucial in facilitating international exchange and funding. It entails the trade of currencies among different countries. The forward citation is critical to this market, which provides perception into future alternate quotes between two currencies. A bold quotation represents the rate at which one piece of money may be exchanged for any