**International Finance**

**April 2024 Examination**

**Q1. How FCNR (B) can be termed as a Crucial\* Account for NRI while Transferring any Amount of Sum to their relatives / Family members in India ? Elaborate the views (10 Marks)**

**Ans:**

**Introduction**

The Foreign Currency Non-Resident (FCNR) Bank Account has emerged as a crucial financial instrument for Non-Resident Indians (NRIs) seeking to transfer funds to their relatives or family members in India. This specific account assists NRIs in maintaining their foreign earnings in an assigned foreign currency, enabling them to secure their money against exchange rate fluctuations. Established under the regulative framework of the Reserve Bank of India (RBI), FCNR (B) accounts act as an essential conduit for NRIs to remit funds safely and successfully to their loved ones in India.

The financial landscape for NRIs has advanced dramatically, with FCNR (B) accounts playing a central role in their financial planning. The account permits NRIs to make down payments and

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**Q2. After closure of Bretton Woods System & Gold Standard at 50 Countries Delegates the New Currency system emerged at International Finance regime for the Exchange Rate. This is post Fixed Exchange Rate & Gold Standard. Enumerate exchange rate and describe which of the exchange rate system operates in the current scenario? (10 Marks)**

**Ans:**

**Introduction**

The closure of the Bretton Woods System and the Gold Standard noted a zero hour in the background of international finance. These systems, created to stabilize currencies and facilitate the international profession, encountered significant obstacles, bringing about their ultimate death. The Bretton Woods System, established in 1944, pegged significant currencies to the value of gold and the U.S. buck, offering security and predictability in exchange rates. However, economic pressures, such as the rising cost of living in the USA and professional imbalances among countries, rendered the system unsustainable. As a result, the gold standard was deserted,

**3a) What is the Cruciality of Current Account in BOP – Balance of Payment as Fundamental aspect of International Trade & Finance, why it can stand out as most different and Preliminary? (5 Marks)**

**Ans:**

**Introduction:**

In international profession and finance, the Balance of Payments (BOP) is an extensive record of a country's economic purchases with the remainder of the world over a specific period. It comprises the present, resources, and financial accounts, each playing a pivotal role in mirroring a nation's economic health and communications in the worldwide market.

The current account, a vital part of the BOP, delineates the circulation of goods, solutions,

**3b) Elaborate as how IRP (Interest Rate Parity) forms the crucial significance in Foreign Exchange Rate Determination as a repercussion of Global Interest Rate co-ordination to respective 2 pairs of International Currencies Exchange Rate (5 Marks)**

**Ans:**

**Introduction**

Interest Rate Parity (IRP) is a fundamental concept in international finance crucial in figuring out foreign exchange rates between various currencies. It establishes a connection between interest, the rising cost of living, and exchange rates, adding significantly to the international financial system's security and predictability.

IRP is founded on the no-arbitrage concept, suggesting that investors cannot make risk-free profits by using differences in interest rates between two countries in an effective market. In