**International Finance**

**December 2024 Examination**

**1. A German Company want to expand their operations in Southeast Asia & Europe. In the same lieu they asked Research Team as to enlist & cover crucial technicalities & aspects of International Finance in lines of Global Macro Economics and Global Financial Management as a whole. Elaborate the views on these factors (10 Marks)**

**Ans 1.**

**Introduction**   
In today’s interconnected global economy, expanding operations across multiple regions requires a deep understanding of international finance, global macroeconomics, and financial management. For a German company planning to expand its operations into Southeast Asia and Europe, it is crucial to consider several aspects of international finance that affect decision-making, profitability, and long-term success. International finance deals with exchange rates, cross-border investments, and the global movement of capital, while global macroeconomics focuses on larger economic trends that affect countries and regions, such as inflation, interest rates, and trade balances. The combination of these two factors plays a pivotal role in guiding

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**2. For Economic Planning & Commission a Current Account is always instrumental in reporting Global Finance Position as per International Finance benchmark standard. If you agree to this perspective then explain Current Account paradigm in Balance of Payment process. (10 Marks)**

**Ans 2.**

**Introduction**   
The Balance of Payments (BoP) is a critical framework used in international finance to evaluate the economic transactions of a country with the rest of the world. Among its various components, the Current Account stands out as a significant indicator of a nation's economic health and its position in global finance. It reflects the difference between a country's savings and investments by recording transactions related to trade in goods and services, income, and current transfers. A surplus or deficit in the Current Account offers insights into a country’s competitiveness, fiscal policy

**3a. How PPP – Purchase Power Parity Theory stands out as most different & crucial in International Fisher Effect? Kindly Elaborate (5 Marks)**

**Ans 3a.**

**Introduction**   
The Purchasing Power Parity (PPP) theory and the International Fisher Effect (IFE) are two critical concepts in international finance, both aiming to explain exchange rate movements, but they differ in approach and implications. PPP focuses on the relationship between inflation and exchange rates, suggesting that exchange rates should adjust to equalize the price of goods across countries. On the other hand, the International Fisher Effect links interest rates with

**b. NRI’s and most of Foreign Banks while doing recurrent Global Banking Transactions In between Domestic & Global Countries, they usually rely upon NOSTRO Account. Explain Nostro Account Fundamental Importance in Global Banking.(5 Marks)**

**Ans 3a.**

**Introduction**   
In the global banking ecosystem, Nostro accounts play a crucial role, particularly for Non-Resident Indians (NRIs) and foreign banks that engage in frequent cross-border transactions. A Nostro account is essentially an account that a domestic bank holds in a foreign currency with a bank in another country. It facilitates seamless international transactions by allowing banks to easily settle foreign exchange