

**NMIMS Global Access**  
**School for Continuing Education (NGA-SCE)**

**Course:** International Finance

**Internal Assignment Applicable for June 2023 Examination**

Assignment Marks: 30

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**Instructions:**

- *All Questions carry equal marks.*
- *All Questions are compulsory*
- *All answers to be explained in not more than 1000 words for question 1 and 2 and for question 3 in not more than 500 words for each subsection. Use relevant examples, illustrations as far as possible.*
- *All answers to be written individually. Discussion and group work is not advisable.*
- *Students are free to refer to any books/reference material/website/internet for attempting their assignments, but are not allowed to copy the matter as it is from the source of reference.*
- *Students should write the assignment in their own words. Copying of assignments from other students is not allowed*
- *Students should follow the following parameter for answering the assignment questions*

<b>For Theoretical Answer</b>	
<b>Assessment Parameter</b>	<b>Weightage</b>
Introduction	20%
Concepts and Application related to the question	60%
Conclusion	20%

<b>For Numerical Answer</b>	
<b>Assessment Parameter</b>	<b>Weightage</b>
Understanding and usage of the formula	20%
Procedure / Steps	60%
Correct Answer & Interpretation	20%

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**Q1.** ABC Ltd- An Indian Multinational Company wants to expand its operations in European Nations and has decided to buy a land in Poland for setting a manufacturing unit. The setting of the manufacturing facility will open billion-dollar European Market for the company.



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For this new venture, company needs an investment of 70 million dollars with the time frame of 10-12 years. Assume yourself in the role of Finance Manager of ABC Ltd. Discuss about different international finance sources to raise the required capital. **(10Marks)**

**Q2.** An Indian company imported goods from US. The US manufacturer invoices the shipment in Dollar (USD), and the amount is USD 5 million. The importer needs to pay the amount by 30 October 2023. The data regarding the futures contract as on 10 October 2023 is:

Interbank Spot Market

USD-INR 80.2725 - 80.2775

NSE futures:

USD INR 281023 80.3175- 80.3250

Questions:

Explain the process of hedging with currency futures for the above case, if the spot rate turns out to be INR 79.1250 on 28th October. What is the notional loss/profit of the Indian company when compared to the actual spot rate on October 28th? (Assume that the futures settlement rate is the same as the spot rate on the contract expiry date.)

Also, if the spot rate was 81.6250 on the expiry date, what would be the company's notional profit for having decided to hedge the exposure? **(10 Marks)**

**Q3.** An Indian Merchant importing goods from UK worth 1 million GBP. But there is no direct quotation between GBP INR is available in the market. The spot rate in the market available is

GBP USD 1.2100

INR USD 0.012



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- a.** Calculate the exchange rate between GBP INR using the above information **(5 Marks)**
- b.** Assume that spot quotation between USD INR 80.7400- 80.8700. The six months forward is 216.25-218.25. Calculate the six months forward bid and ask rate for USD INR. **(5 Marks)**

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