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| **SESSION** | **FEB- MARCH 2025** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **4** |
| **COURSE CODE & NAME** | **DIBM404 EXPORT IMPORT FINANCE** |
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**Assignment Set – 1**

**Q1. Explain the concept of Pre-shipment finance and highlight the main advantages of pre-shipment financing for exporters. 2+8**

**Ans 1.**

**Understanding the Concept of Pre-Shipment Finance**

Pre-shipment finance refers to the short-term credit or working capital provided to exporters for financing the purchase, processing, packing, and shipment of goods prior to the actual export. It is extended by commercial banks and financial institutions to enable exporters to meet production and operational expenses before goods are shipped to the overseas buyer.

The purpose of pre-shipment finance is to bridge the funding gap between the placement of the export order and the realization of payment. It helps exporters procure raw materials, pay for

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**Q2. What is interest subvention, and how does it impact export finance. 3+7**

**Ans 2.**

**Meaning of Interest Subvention in Export Finance**

Interest subvention refers to the interest subsidy or financial assistance provided by the government to reduce the cost of borrowing for specific sectors or industries. In the context of export finance, interest subvention is offered to exporters in the form of a concession on interest rates charged by banks on export credit.

Under the Interest Equalization Scheme (IES) implemented by the Government of India through the Reserve Bank of India (RBI), eligible exporters are provided interest subvention—

**Q3. Write short note on the following concepts:**

**a. Forfaiting**

**b. Factoring**

**Ans 3.**

**a. Forfaiting**

Forfaiting is a trade finance technique in which an exporter sells their medium- to long-term receivables (i.e., bills of exchange or promissory notes) to a financial institution called a forfaiter at a discount, in exchange for immediate cash payment. The forfaiter assumes all the risks associated with the receivables, including credit risk, interest rate risk, and political risk. This method is especially useful in international trade involving capital goods and large-scale equipment.

The key benefit of forfaiting is that it provides instant liquidity to the exporter without recourse,

**Assignment Set – 2**

**Q4. What are the key advantages and disadvantages of different methods of import financing. (Explain any 5 methods of Import Financing) 5+5**

**Ans 4.**

**1. Letter of Credit (LC)**

A Letter of Credit is a widely used import financing method where a bank guarantees payment to the exporter on behalf of the importer, provided the exporter meets the terms and conditions of the LC. It reduces payment risk for the exporter while giving the importer assurance that payment will only be made upon delivery of goods and proper documentation.

Advantages include credibility, reduced transaction risk, and better negotiation terms. Disadvantages involve high bank fees, complex documentation, and strict compliance

**Q5. Discuss the impact of geopolitical events on exchange rates in the forex market. Provide examples. 8+2**

**Ans 5.**

**Understanding the Relationship Between Geopolitics and Forex Markets**

The foreign exchange (forex) market is highly sensitive to global political and economic developments. Geopolitical events refer to political conflicts, wars, elections, trade disputes, and diplomatic tensions that occur between or within countries. These events impact investor confidence, capital flows, and global trade, all of which influence exchange rates.

Exchange rates reflect the relative strength of one country’s currency against another. When geopolitical instability arises, it can lead to volatility, risk aversion, and sudden shifts in forex

**Q6. How does the interaction between FEMA and FEDAI benefit the foreign exchange market? 10**

**Ans 6.**

**Understanding FEMA and FEDAI**

The Foreign Exchange Management Act (FEMA), 1999, is a legislative framework that governs foreign exchange transactions in India. Its primary objective is to facilitate external trade and payments while maintaining the foreign exchange market’s orderly development. FEMA replaced the earlier FERA (Foreign Exchange Regulation Act) and marked a shift from regulation to management and liberalization.

On the other hand, the Foreign Exchange Dealers’ Association of India (FEDAI) is an industry