

**MBA/ D-21: 27068****FM-302: Foreign Exchange Management****Time: 3 Hours]****[Max. Marks: 70**

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Note- The first question consisting of 5 parts of 4 marks each is compulsory. Attempt any five questions out of the remaining eight questions carrying 10 marks each.

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1. Answer/Explain the following in up to two page length each:
  - a. How is Foreign Exchange Exposures Identified?
  - b. Give an Example to Explain Exchange Rates?
  - c. What are Bid and Offer Rates?
  - d. What is role of hedging in Currency Market?
  - e. What factors affect Option Pricing?
2. What are recent changes in International Monetary System? Explain the role of international monetary system in strengthening the global financial markets and international trade.
3. What are the main functions and participants of foreign exchange market? Explain factors affecting foreign exchange rate.
4. Describe the following:
  - a. Purpose of the gold standard and why it collapsed.
  - b. The Bretton Woods Agreement and why it collapsed.
5. Explain the purchasing power parity in its absolute form. What are the assumptions of static form of PPP? How can PPP be used to determine expected spot exchange rate for speculative purposes?
6. Define the term Derivative and give your views on currency derivatives? Also give various terminology used in option contracts?
7. What do you mean by currency swap? How do spot and forward markets differ from each other?
8. Answer the following questions:
  - a. Differentiate between currency spot and future rates by giving example.
  - b. What are constraints of Exposure Management?
  - c. How is Foreign Exchange Exposures Identified?
  - d. If the \$ : Yen spot rate is \$1 = Yen 110 and interest rate in Tokyo and New York are 3 and 4.5 per cent respectively, what is the expected Dollar Yen exchange rate one year hence?
9. What is economic exposure? How do you measure it and manage it? How are assets and liabilities translated under the current rate method?