PAPER ID-421045

Subject Code: RMBIFM07

Roll No: | | | | | | | | | | | | | |

MBAINT

(SEM X) THEORY EXAMINATION 2021-22

FOREIGN EXCHANGE AND RISK MANAGEMENT

Time: 3Hrs *Total Marks: 100*

Attempt all Sections. If require any missing data; then choose suitably

SECTION A

1. Attempt all questions in brief **2 X 10 = 20**

Q.No	Question	Marks	CO
a.	What do you mean by balance of payments? Explain.	2	1
b.	Define Foreign Exchange.	2	1
c.	Explain current account.	2	2
d.	Explain cash position.	2	2
e.	What do you mean by vostro account? Explain.	2	5
f.	Define floating exchange rate system.	2	5
g.	What is a capital account? Explain.	2	4
h.	What do you mean by IRP?	2	4
i.	Define direct quotation.	2	3
j.	What do you mean by economic exposure? Explain.	2	3

SECTION B

2. Attempt any three of the following: **3 X 10 = 30**

Q.No	Question	Marks	CO
a.	What is Gold currency standard? Also discuss the Gold exchange standards with reference to the foreign exchange.	10	3
b.	Interest rate parity theory is a non-arbitrage condition in equilibrium state. Illustrate with an example.	10	4
c.	Explain International Exchange Systems. What is the difference between Fixed and Floating Exchange rate system?	10	1
d.	Write short notes on the following with suitable example: (i) Mirror Account(ii) Forward exchange contract.	10	2
e.	Discuss the following with the help of an example.: (i) Translation exposure management. (ii) Interest rate risk.	10	5

SECTION C

3. Attempt any one part of the following: **1 X 10 =10**

Q.No	Question	Marks	CO
a.	Write a note on the following: (i) Bretton woods system. (ii) The Smithsonian agreement.	10	1
b.	Discuss the role of IMF in foreign exchange.	10	1

4. Attempt any one part of the following: **1 X 10 =10**

Q.No	Question	Marks	CO
a.	Write detailed notes on the following: (i) Purchasing power parity. (ii) International Fisher effect.	10	2
b.	Describe the features of NOSTRO Account. How it is different from VORO account	10	2

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5. Attempt any one part of the following: 1 X 10 =10

Q.No	Question	Marks	CO
a.	Write a note on buying and selling rates of foreign currency. How are the merchant rates decided?	10	3
b.	What are currency options contract? Elaborate the process of Execution of forward Contracts.	10	3

6. Attempt any one part of the following: 1 X 10 =10

Q.No	Question	Marks	CO
a.	What are Exchange Dealings? Elaborate various Dealing position	10	4
b.	Write notes on the following suing proper example and significance in foreign exchange: (i) SWIFT (ii) R return.	10	4

7. Attempt any one part of the following: 1 X 10 =10

Q.No	Question	Marks	CO
a.	(i) What do you mean by Interbank deals? Explain. (ii) Hedging is an important technique in currency risk management. Explain	10	5
b.	RP Private Ltd. of CANADA has exported goods worth Can $ 5, 50,000 receivables in 9 months. The exporter wants to hedge the receipt in the forward market. The following information is available: Spot Exchange Rate ` 75.66/$ Interest Rate in CANADA 1.25% Interest Rate in Indian 7% The forward rates truly reflect the interest rates differential. Find out the gain/loss to CANADA exporter if Indian spot rates (i) decline 1.5%, (ii) gains 5.5% or (iii) remains unchanged over next 6 months.	10	5