

Roll No.

Subject Code—8191-X

M.B.A. EXAMINATION

(Third Semester)

(Re-appear Batch 2009 Onwards)

IB-318

FOREIGN EXCHANGE MANAGEMENT

Time : 3 Hours

Maximum Marks : 70

Section A

Note : Attempt any *Seven* questions. **7×5=35**

1. Explain the difference between a plain Vanilla interest rate swap and a plain Vanilla currency swap.
2. Identify the factor affecting foreign exchange rate.
3. Discuss the distinguishing features of FEMA.

4. Briefly explain the different kinds of exposures.
5. What is the tax treatment of foreign exchange gains and losses ?
6. Is devaluation good for exports and imports ?
7. What are currency future options ?
8. What are the golden trading risks in winning options ?
9. Discuss the market-based technique for forecasting exchange rates.
10. How can an interest rate collar be created ?

Section B

Note : Attempt all questions.

11. The Spot DM/£ exchange rate is £1 = DM 2.5000–2.4990, six months interest rates are :

DM	£
7-7/8-8%p.a.	5-7/8-6%p.a.

- (a) within what range should the six-months forward exchange rate fall ?

- (b) If a 1% rise in sterling interest rates causes a DM 0.1 rise in the spot price of the pound, what should happen to the forward price of the pound ?

Or

Explain how inflation and nationalism make it impossible for a single global currency to exist.

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12. Why do traders use two transactions instead of just one to hedge a forward-exchange contract ?

Or

Which contract is likely to be more valuable, an American or a European Call option ?

Explain.

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13. Discuss the general principles of supporting in exposure information system.

Or

Explain the use of fundamental and technical technique for forecasting exchange rates.

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