

Exam. Code : 108506

Subject Code : 2618

B.Com. Semester-VI

BCC-621 : FOREIGN EXCHANGE MANAGEMENT

Time Allowed—3 Hours]

[Maximum Marks—50

**Note:**— Attempt **ten** short answer type questions from Section A carrying **1** mark each. The length of answer to each question in Section A should be in upto **5** lines. Attempt **two** questions each from Section B and Section C carrying **10** marks each. The length of answer to each question in Section B and Section C should be in upto **5** pages.

**SECTION—A**

1. Attempt any **TEN** questions :

- (i) What do you mean by purchasing power parity ?
- (ii) What do you mean by floating rates ?
- (iii) What do you mean by financial fragility ?
- (iv) What do you mean by arbitrage ?
- (v) What do you mean by future exchange ?

- (vi) What do you mean by marking to the market ?
- (vii) What do you mean by plain/vanilla swap ?
- (viii) What do you mean by broken date forward ?
- (ix) What do you mean by cross currency options ?
- (x) What do you mean by American Options ?
- (xi) What do you mean by international cash netting ?
- (xii) What do you mean by parallel loans ?

### SECTION—B

2. What are the different theories of foreign exchange rates ? Explain any one of these theories giving its assumptions, significance and limitations.
3. What do you mean by systemic risk ? Write a note on financial sector adjustments in response to booms and busts since 1980.
4. Give an overview of futures market. What are the different types of contracts available in the futures market ? Explain their salient features.
5. Distinguish between hedging and speculation. Explain the uses of future for hedging and speculation.

**SECTION—C**

6. What are the different SWAP products ? What are the characteristics and uses of SWAP products ?
7. Distinguish between foreign exchanged exposure and risk. What are the different types of foreign exchange risk ?
8. What are the different devices for management of foreign exchange risk ? Examine the criteria for selection of an appropriate risk management device.
9. What do you mean by interest rate risk management ? What strategy you would follow for short term interest rate risk management ?