

Exam. Code : 108506

Subject Code : 2827

B.Com. 6th Semester

FOREIGN EXCHANGE MANAGEMENT

Paper—BCG-621

Time Allowed—Three Hours] [Maximum Marks—50

SECTION—A

Note :— Attempt any *ten* short answer questions from the following *twelve* questions carrying 1 mark each. The length of answer to each question should be in up to *five* lines.

1. (i) What do you mean by systemic risk ?
- (ii) What do you mean by hedging ?
- (iii) What do you mean by future exchange ?
- (iv) What do you mean by financial booms ?
- (v) What do you mean by purchasing power parity ?
- (vi) What do you mean by floating foreign exchange rates ?
- (vii) What do you mean by economic risk ?
- (viii) What do you mean by translation exposure ?
- (ix) What do you mean by basis swap ?
- (x) What do you mean by parallel loans ?
- (xi) What do you mean by broken date forwards ?
- (xii) What do you mean by European options ?

SECTION—B

Note :— Attempt any *two* questions carrying **10** marks each.
The length of answer to each question should be in up to *five* pages.

2. What are the assumptions of interest rate parity theory of exchange rates ? Examine the main propositions of this theory.
3. What do you mean by financial fragility ? What are the main issues and challenges which emerge out of financial fragility ?
4. How does a future contract differ from a forward contract ? Explain the uses of future contracts.
5. What are the factors which affect the future pricing behaviour ? Examine the cost of carrying and expectation approach.

SECTION—C

Note :— Attempt any *two* questions carrying **10** marks each.
The length of answer to each question should be in up to *five* pages.

6. What are the different types of currency swaps ? What are the uses of currency swaps ? What are the regulatory issues relating to currency swaps ?
7. What do you mean by foreign exchange risk ? Examine the different types in which foreign exchange risk can be classified.
8. What are the objectives of foreign exchange risk management ? What are the different strategies for foreign exchange risk management ?
9. What do you mean by options ? How would you use options for foreign exchange risk management ?