

MMS/DX: 6184

FM-302: Foreign Exchange Management

Time : Three Hours]

[Maximum Marks : 70

Note:- Attempt FIVE question in all. Q No. 1 is compulsory. All Questions carry equal marks.

Q.1. Answer the following questions:

- a) Distinguish between official and free market rate.
- b) How will you determine cross currency rate?
- c) Explain the term foreign exchange exposure.
- d) What is time value of option?
- e) What do you mean by technical analysis?
- f) What is forecasting of exchange rate?
- g) What do you mean by margin making in futures trading?

Q.2. Explain the term forward rate. How will you determine the forward rate? Quote the mechanism with suitable examples. Also explain its status in India.

Q.3. Explain the currency option market. What are its features? Which factors are considered while

determining the option price? explain with suitable example alongwith its developments in India.

- Q.4. What is foreign exchange exposure? How will you measure foreign exchange exposure? What are its different types? Explain with suitable data and diagrams.
- Q.5. Critically examine the measurement and management of foreign exchange translation exposure. Also explain recent developments in this respect.
- Q.6. Explain the term forecasting of exchange rate. What factors are considered while forecasting exchange rate? Explain the fundamental approach in this respect alongwith its limitations.
- Q.7. How will you determine the foreign exchange gains and losses on various transactions? Explain tax treatment on such gains or losses with suitable examples in Indian context.
- Q.8. Write notes on the following:
- a) Strategies for exposure management.
 - b) Mechanism of currency swap trading.