

Roll No. ....

Total No. of Pages : 2

**MMS/D11**

**6084**

**Foreign Exchange Management**

**Paper : FM-302**

**Time : Three Hours]**

**[Maximum Marks : 70**

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

**1. Answer the following :**

- (a) How will you quote a foreign rate ? Also explain cross rate.
- (b) What is margin trading in forward market ?
- (c) Explain the term theoretical value in an option contract.
- (d) What is exposure in currency market ?
- (e) Explain the exposure netting.
- (f) What is foreign exchange gain ?
- (g) Distinguish between hedging and speculating.

**2. Distinguish between forward market and futures market in foreign currency. Explain the trading mechanism of futures market with suitable examples alongwith its recent developments in India.**

**3. What is the nature of currency swap market ? How is it different from forward market ? With suitable data explain the trading mechanism of swap market. Give recent developments too in this respect.**

4. Distinguish between foreign exchange risk and exposure. How will you measure these ? Also explain the measurement of transaction exposure in brief.
5. Write notes on the following :
  - (i) Management of operating exposure.
  - (ii) Organisation of exposure management in an MNC.
6. Critically examine the concept of foreign exchange forecasting. What are major constraints of it ? Also explain in brief socio-political factors in this respect with suitable examples.
7. Explain with suitable examples, diagrams and assumptions the use of technical analysis in forecasting of foreign exchange rates.
8. What do you mean by foreign exchange gains and losses ? How will you determine these in various foreign exchange transactions ? Also explain tax treatment on such gains and losses with suitable examples in India in brief.