

MMS/D08

Foreign Exchange Management

Paper: FM-302

Time: Three Hours]

[Maximum Marks: 70

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

- I. Answer the following questions:
 - (a) Explain the term *free* market rates in foreign exchange market.
 - (b) Mechanism of determining the forward rate.
 - (c) Distinguish between exposure and risk.
 - (d) Explain the term Mark-to-market.
 - (e) Explain the term speculating in foreign exchange market.
 - (f) What is breadth of market in technical analysis?
 - (g) What is translation exposure?
2. Explain the organisational structure and functioning of foreign exchange market. How the foreign exchange rates are quoted in this market? Explain with suitable examples and recent developments in brief.
3. Distinguish between forward and futures currency markets. Also explain the trading mechanism and functioning of *futures* currency market in India with suitable examples.
4. Explain the objectives, role and trading mechanism of currency swap market. Also explain in brief the valuation of currency swap transaction.
5. Explain the various methods of translation of financial statements by a subsidiary firm to its foreign parent firm alongwith their limitations. Also explain in important tools for managing translation exposure in brief.
6. Write notes on the following :.
 - (i) Measurement of transaction exposure
 - (ii) Management of economic exposure.
7. Critically examine the various techniques of forecasting the foreign exchange rates with their merits and demerits.
8. Explain the tax treatment on foreign exchange gains and losses in Indian context.

