MMS/D06 7071

Foreign Exchange Management

Paper: FM-302

[Time: Three Hours] [Maximum Marks: 70]

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

1. Answer the following questions:
   (i) What is spread in foreign exchange market?
   (ii) Explain the term arbitrage and its types.
   (ill) What is mark-to-market ?
   (iv) What is foreign exchange risk ?
   (v) Distinguish between call and put option.
   (vi) What is netting in foreign exchange market?
   (vii) Explain foreign exchange fundamental forecasting.

2. Explain the foreign exchange market. What are its major functions? Also explain the structure of foreign exchange market with suitable examples.

3. Explain the currency forward market. What are its features? What is the mechanism of quoting the forward rates? Explain with examples.

4. Distinguish between foreign exchange risk and foreign exchange exposure. How will you measure risk and exposure? Explain with suitable examples.

5. Explain Currency Swap Market. What are its important features ? What are different types of currency swap contracts? Explain the trading mechanism of this market in brief.

6 Distinguish between currency translation exposure and currency operating exposure. How wil1 you manage the operating exposure? Explain with examples. .

7. What do you mean by forecasting of foreign exchange rate? What is its significance? Explain various technical techniques used in this respect with examples.

8. Write notes on the following:
   (i) Measurement of foreign exchange gains (ii) Tax treatment of foreign exchange gains
   (ill) Tax treatment of foreign exchange losses.