S4FM. 16/10/18

QP Code : 36499

Duration : 2.5 hours **Marks : 75 Marks**

Note :All questions are compulsory Subject to Internal Choice
Use of commercial calculators is allowed.

Que. 1 A) State whether the following statements are true or false (ANY EIGHT) 8m

1. IMF which was given the task of implementing and monitoring the Bretton woods system.
2. The system of flexible exchange rates does not allow exchange control and promotes free trade.
3. FEMA is Foreign Exchange Management Act which came in force on July 2000.
4. FEMA replaced FERA as the foreign exchange legislature.
5. Forex rates can be quoted as spot or forward contracts.
6. Fully optional contract may end anytime during the life of a contract.
7. PPP refers to the international arbitrage condition for the standard consumption basket.
8. Speculation involves trading a financial instrument involving low risk, in expectation of significant returns.
9. Credit risk is based on a government's liability to meet its loan obligations.
10. A future transaction is a transaction requiring delivery at future date of a specified amount.

Que. 1 B) Match the following (ANY SEVEN) 7m

Column A	Column B
1. Sovereign risk	a.81 Sections
2. Political risk	b.49 Sections
3. Inflation rate	c. Risk due to government's inability to pay off the loan
4. Currency swap	d. Risk due to political structure of the country
5. American option	e. Small countries maintain exchange rate pegged to major hard currency
6. Real exchange rate	f. Agreeing to pay off each other's debt in different currencies
7. Currency Board	g. Can be exercised on any date up to expiry date
8. FERA	h. Ratio of domestic price indices
9. FEMA	i. Participants of forex participants
10. Retailers	j. The rate of rising prices consistently in an economy

Q.2 A) What is a foreign exchange market? What are the characteristics of foreign exchange market? 8m

B. What are the differentiate between Gold standards and Bretton woods System? 7m

OR

C. Who are different participants of foreign exchange markets? 8m

D. What is the role of foreign exchange brokers in foreign exchange market? 7m

[Turn over

Q.3 A) Explain the concepts of current account and capital account convertibility. 8m

B. What are the objectives and features of FEMA 7m

OR

C. Calculate CAD/CHF Quotation if USD/CAD 1.1093-03 and USD/CHF 1.2290-00. And calculate Spread for CAD/CHF 8m

D. Identify the countries in which the following quotations will be "Direct" and convert them to "Indirect" form. 7m

a) USD/CAD 1.0398-1.0408
b) EUR/SGD 1.6315-1.6325
c) GBP/USD 1.5293-1.5303
d) USD/INR 53.3825-53.3875

Q.4 A) Differentiate between fixed and flexible exchange rate systems 8m

B. What are the advantages and disadvantages of future contracts? 7m

OR

C. Calculate triangular arbitrage if 8m

EUR/SGD 0.8540-0.8550
EUR/JPY 120.9000-121.4000
GBP/JPY 142.5000-143.0000

D. Calculate the outright forward quotations for USD/INR and USD/CHF 7m

Spot	USD/INR 54.6315-45	USD/CHF 0.9475-85
Spot/December	865-925	10-5
Spot/January	2010-2130	25-15

Q.5 A) Differentiate between forward and futures contract. 8m

B. Write a brief note on options. 7m

OR

Q.5) Attempt any three(03) of the following short notes 15m

i. NOSTRO, VOSTRO and LORO
ii. SWIFT and other communication systems
iii. Arbitrage and speculation
iv. Direct and Indirect rate
v. SEBI
