

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**)**08**

1. US dollar is accepted as a universal vehicle currency.
2. Forward exchange rate is the rate at which exchange of one currency to another at the present date at a specific date in future
3. Crawling Peg is an exchange rate regime usually seen as part of fixed exchange rate.
4. Any company operating globally can deal in foreign currencies.
5. Stable economies are able to maintain exchange rate that pegged to strong currencies.
6. Exchange rate is determined by traders.
7. Geographically arbitrage is also known as triangular arbitrage.
8. Speculation involves trading of financial instrument involving low risk, in expectation of significant returns.
9. Credit risk is based on government's inability to meet its loan obligation.
10. The most common type of forward market is a spot against forward.

Que. 1 B) Match the following (**ANY SEVEN**)**07**

| Column A | Column B |
|----------------------------|--|
| 1. IMF-fixed exchange rate | a. Effective Exchange Rate Index |
| 2. Tom transaction | b. Option giving the buyer the right but not the obligation to buy a currency |
| 3. NOSTRO a/c | c. Black market for currency trading |
| 4. VOSTRO a/c | d. Fixed price of buying and selling option |
| 5. Hawala market | e. Option giving the buyer the right but not the obligation to sell a currency |
| 6. EER | f. Gold standard |
| 7. One Law Price | g. Your account with us |
| 8. Strike Price | h. T+1 |
| 9. Call Option | i. Our account with you |
| 10. Put Option | j. $e = P/P^f$ |

Q.2 A) What is an exchange rate? What are the various factors determining an exchange rate? **08**B) Who are various participants of foreign exchange markets? **07****OR**Q.2 C) What are the features of Gold Standard System? **08**D) Differentiate between fixed and flexible exchange rate systems. **07**Q.3 A) Explain the objectives and feature of FERA. **08**B) Draw a historic timeline to the India's Exchange Rate System. **07****OR**Q.3 C) Calculate GBP/INR Quotation if USD/INR 53.8425-75 and GBP/INR 1.5365-75. And calculate Spread for GBP/INR. **08**

D) Identify the countries in which the following quotations will be “Direct” and convert them to “Indirect” form.

07

- a) EUR/USD 1.2872-1.2882
- b) USD/INR 54.3340-54.3390
- c) GBP/USD 1.5493-1.5403
- d) USD/AUD 0.9681-0.9690

Q.4 A) Write a brief note about different types of foreign exchange contracts. **08**
 B) What are foreign exchange futures contract? Enlist its advantages and disadvantages. **07**

OR

Q.4 C) Calculate triangular arbitrage if **08**
 USD/GBP 0.6530-0.6540
 USD/CAD 1.0408-1.0418
 GBP/CAD 1.5898-1.5908

D) Calculate the outright forward quotations for USD/INR and USD/CHF **07**

| 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 Direct and Indirect Rate. **08**
 B) What are different types of risks in a foreign exchange market? **07**

OR

Q.5 Write short notes on (any three): **15**

- i. Current account convertibility
- ii. SWIFT
- iii. Arbitrage and Hedging
- iv. Purchasing Power Parity (PPP) Theory
- v. FEDAI
