VCD 28032023 Class: SYBFM SEM: IV Subject: FC-IV- Foreign Exchange Markets

Time: $2^{1/2}$ Hours Marks 75

Q1.A. State whether the following statements are True or False. (Any Eight) **(8 marks)**

1. International monetary fund was given the task of implementing and monitoring the Bretton Woods System.
2. Bank borrow and lend money in the Interbank market to manage liquidity and meet their regulatory requirements.
3. SWIFT is solely a carrier of messages.
4. The most influential participants involved in the forex market are the central banks and federal governments.
5. The forex broker operates as a middleman between the client and the market.
6. Forex rates can be quoted as spot or forward contracts.
7. A forward exchange contact is a special type of foreign currency transaction.
8. A cross rate is a rate which can be calculated from two other rates.
9. There is a physical place where the foreign exchange buyers or sellers meet together.
10. Inflation and interest rates are not correlated.

Q1.B. Fill in the blanks with appropriate words. (Any Seven) **(7 marks)**

1. Standardized forward contacts are called ______.
   a)futures contracts b)swap contracts c)option contracts d)spot contracts
2. The price at which a market maker is prepared to sell (a currency) is termed as ______.
   a)ask price b)spot rate c)bid rate d)forward rate
3. SWIFT stands for ________.
   a)Safety width in financial transactions b)Society for worldwide international financial television c)Society for worldwide interbank financial telecommunication
   d) Swift worldwide information for financial transaction
4. FOREX stands for ______.
   a)Foreign Exchange b)Foreign Exemption c)Foreign Expert d)Foreign Expansion
5. FEMA was introduced in ______.
   a)1970 b)1999 c)2010 d)1930
6. The _____ is the rate for a currency at today's market prices.
   a)spot rate b)forward rate c) future rate d)sinking rate
7. A currency ______ contains number of currencies with different weights.
   a)basket b)interest c)value d)rate
8. The ______ rates are to a great extent used in nearly all countries of the world.
   a)floating b)fixed c)hybrid d)permanent
9. In the international parlance ______ means taking advantage of the price differentials in the quoted prices of the currencies in the different markets.
   a)arbitrage b)hedging c)speculation d)pegging
10. Partially ______ contracts provide some flexibility.
    a)forward b)optional c)spot d)non-delivery

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Q2.A. Explain the types of foreign exchange market. (8 marks)

Q2.B. What is forex market? Explain the need for foreign exchange market. (7 marks)

OR

Q2.C. Explain the advantage and disadvantages of Bretton Woods System. (8 marks)

Q2.D. Explain forex trading and SWIFT. (7 marks)

Q3.A. Impact of globalisation in Indian foreign exchange market. (8 marks)

Q3.B. Explain what is foreign currency fluctuations and state its cause. (7 marks)

OR

Q3.C. Given:- USD/INR = 60.15 / 60.16

GBP/ USD = 1.6250 / 1.6350

Calculate cross rate: - GBP INR quotation. (8 marks)

Q3.D. GBP/ INR = 98.1234/ 98.4567

Calculate: a) mean-rate b)spread c) % spread (7 marks)

Q.4.A. Difference between fixed and flexible exchange rate system. (8 marks)

Q.4.B. Explain spot contract and its types. (7 marks)

OR

Q.4.C. Calculate forward buying & selling rates from the following info: -

S pot = USD INR = 60.6000 / 60.9000

Calculate; Forward for:

a) one month 1100/1000

b) two months 1300/1200

c) Three months 1500/1400

d) Four months 1600/1550 (8 marks)

Q.4.D. Two banks are quoting the following rates:

Bank A: USD/INR = 60.9800 / 61.5300

Bank B: USD/INR = 61.6400 / 61.8300

Find out any arbitrage gain from the following. Assume capital Rs. 10 lacs. (7 marks)

Q5.A. Discuss techniques of forex risk management. (8 marks)

Q5.B. Explain the types of foreign exchange risk. (7 marks)

OR

Q5. Short Notes. (Any three) (15 marks)

1. Current account convertibility.
2. Disadvantages of forward contracts.
3. Free or floating exchange rate system.
4. FEMA
5. Function of function of foreign exchange market