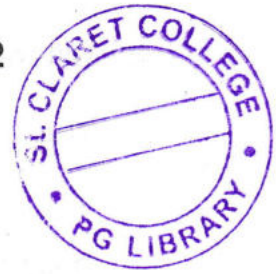




OP – 224

<sup>3</sup>  
IV Semester M.Com. Examination, November 2022  
(CBCS) (2021 – 22)  
COMMERCE (Finance and Banking)  
FB 4.3 : Forex Management



Time : 3 Hours

Max. Marks : 70

**Instruction** : Answer **all** the questions as per instructions.

SECTION – A

Answer **any seven** questions out of ten. **Each** question carries **two** marks. (7×2=14)

1. a) What do you mean by foreign exchange rate ?
- b) Define Balance of Payment.
- c) What do you mean by depreciation of currency rate ?
- d) What is Managed Float System ?
- e) What do you mean by cross rate ?
- f) Expand SWIFT and LERMS.
- g) What is transaction exposure ?
- h) What are interest rate futures ?
- i) What is Loro Accounts ?
- j) The exchange rate for Mexican Peso was 0.1086 in October 2020 and 0.0913 in September 2021, against dollar. Which currency has depreciated and by how much ?

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. (4×5=20)

2. Explain the different types of settlement system in existence for the foreign trade.
3. Discuss the factors affecting the determination of spot exchange rate.

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4. Differentiate between currency forwards and currency futures.
5. The following rates appear in the foreign exchange market.

	Spot rate	2 months forward
Rs/US \$	Rs. 75.80/76.05	Rs. 76.50/77.00

- a) How many dollars should a firm sell to get Rs. 5 crores after 2 months ?
  - b) How many rupees is the firm required to pay to obtain US \$ 2,00,000 in the spot market ?
6. The rate of inflation in India is 8% per annum and in the USA it is 4%. The current spot rate for USD in India is Rs. 76. What will be the expected rate after 1 year and after 4 years applying the purchasing power parity theory ?
  7. Calculate the arbitrage gains possible on Rs. 10,00,000 from the middle rates given below. Assume there are no transaction costs.

Rs. 76.200 = £ 1 in London

Rs. 46.600 = \$ 1 in Delhi

\$ 1.5820 = £ 1 in New York

### SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

8. Analyse the interrelationship between exchange rate, interest rate and inflation.
9. Discuss the different internal and external hedging strategies available for managing and reducing the forex risks by firm.
10. What is the difference between risk and exposure ? Explain major three types of exposure with reference to forex management.

