

Foreign Exchange Mkt.

TIME ALLOWED: 2¹/₂ HOURS

Marks 75

N.B. (1) Q 1 is compulsory.

(2) Q 2 to Q 5 having internal Options.

(3) Figures in the brackets indicates full marks.

**Q 1) (A) State whether the following statements are TRUE/FALSE (Any 8):**

- (1) The US dollar is the most common currency used for pegging.
- (2) Electronic matching services allow traders to enter their bids and offer into the market.
- (3) SWIFT is solely a carrier of messages.
- (4) Forex rates can be quoted as spot or forward contracts.
- (5) A direct quote is a home currency price of a unit of a foreign currency.
- (6) Inflation and interest rates are not correlated.
- (7) Exchange rate is an important instrumental of fiscal policy.
- (8) Fixed and variable are the two extreme exchange rate regime.
- (9) The annualized percentage difference between spot rate and forward rate is called Bid.
- (10) Triangular arbitrage is also known as spatial arbitrage.

(B) Fill in the blanks with the most appropriate answers (Any 7):

- (1) The process of arbitrage will ___ the prices.
(a) Normalize (b) Increase (c) Decrease (d) Collapse.
- (2) Normally the BOP covers a period of ____.
(a) One year (b) Two years (c) Three years (d) Five Years.
- (3) India sued to peg Indian INR to British pound till ____.
(a) 1985 (b) 1975 (c) 1959 (d) 1949.
- (4) Real exchange rate is the ratio of domestic price indices between ___ countries.
(a) Three (b) Two (c) Four (d) Five.
- (5) ___ rates are determined by the demand and supply of a specific currency as compared to other currency.
(a) Inflation (b) Forward (c) Spot (d) Exchange.
- (6) The price at which a market maker is prepared to sell (a currency) is termed as ____.
(a) Spot rate (b) Bid rate (c) Forward rate (d) Ask Rate
- (7) Standardized forward contracts are called ____
(a) Future contract (b) Swap contract (c) Option contracts (d) None of the above.
- (8) Quotation where the price of one unit of foreign currency is given in terms of local currency unit is called as ____.
(a) Direct quotation (b) Indirect quotation (c) Open ended (d) Close ended.
- (9) FEMA was introduced in ____.
(a) 1999 (b) 1990 (c) 1989 (d) 1991.
- (10) Price of national currency in terms of foreign currency is ____.
(a) Direct terms (b) Indirect terms (c) Law of once price (d) Purchase Price.

Q 2) (A) Define Foreign Exchange Market. Write characteristic of Foreign Exchange Market (8)**(B) Explain functions of Foreign Exchange Market.** (7)

OR

(C) Write about major participation in Foreign Exchange Market. (8)**(D) Advantages and disadvantages of Gold Standards System.** (7)**Q 3) (A) Write note on Central Bank as participant of Foreign Market.** (8)**(B) Difference between FERA and FEMA.** (7)

OR

(C) Identify the location and convert the following into indirect quotes:**(i) USD/INR 60.5060/61.5150****(ii) GBP/AUD 1.2050/1.2150**



- (c) GDP/USD 1.54593-1.5403
- (d) USD/AUD 0.9681-0.9690

- Q 4) (A)** Write a brief note about different types of foreign exchange contracts? (8)
(B) What are foreign exchange futures contracts? Enlist its advantages and disadvantages. (7)

OR

- Q 4 (C)** Calculate triangular arbitrage if: (8)
USD/GBP 0.6530-0.6540
USD/CAD 1.0480-1.0418
GBP/CAD 1.5898-1.5908

- (D)** Calculate the outright forward quotations for USD/INR and USD/CHF (7)

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. (8)
(B) What are the different types of risks in a foreign exchange market? (7)

OR

- Q 5) Write short notes on (Any 3) (15)**
(i) Current account convertibility
(ii) SWIFT
(iii) Arbitrage and Hedging
(iv) Purchasing Power Parity (PPP) Theory.
(v) FEDAI