SYBFM sem IV Reg. Exam April - 2019.

25/4/19.

Q. P. Code: 34002

DURATION-2HRS.30MIN **MARKS-75**

Note

- All questions are compulsory subject to internal choice.
- Use of commercial calculators is allowed

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Q.1) A) State whether the following statements are TRUE or FALSE. (Any 8) (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 instrument of fiscal policy.
8. Fixed and variable are the two extreme exchange rate regimes.
9. The annualized percentage difference between spot rate and forward rate is called Bid.
10. Triangular arbitrage is also known as spatial arbitrage.

Q.1 B) Fill in the blanks with the most appropriate answers.(Any 7) (7)

1. The process of arbitrage will ___ _ ___ the Prices.
   a) Normalize b) Increase c) Decrease d) Collapses
2. Normally the BOP covers a period of ____________.
   a) One year b) Two years c) Three years d) Five years
3. India used 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 price
7. Standardized forward contracts are called __________.
   a) Future contracts b) Swap contracts 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 units 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 characteristics of Foreign Exchange Market. (8)
B) Explain functions of Foreign Exchange Markets. (7)

OR

Q.2 C) Write about major participant in Foreign Exchange Market. (8)
D) Advantages and disadvantages of Gold Standard System. (7)

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Q.3 A) Write a note on Central Bank as a participant of Forex Market. (8)

B) Difference between FERA and FEMA. (7)

OR

Q.3 C) Identify the locations and convert the following in to indirect quotes. (8)

i) USDINR 60.5060/61.5150

ii) GBPAUD 1.2050/1.2150

D) From the following find out spread, % spread and mid-rate. (7)

USDINR 65.2350/66.2560

Q 4 A) Discuss Managed Floating. (8)

B) Explain spot Contract. (7)

OR

Q.4 C) Find out any arbitrage gain from the following. Assume capital Rs.1 million. (8)

USDINR 65.3250/65.5550 Bank A

USDINR 66.5850/66.6580 Bank B

D) Find out the Forward Rate for the following for 1 month & 2 months (7)

Spot USDINR – 63.5000/63.8000

1 month margin 50/60

2 month margin 56/556

Q.5 A) Explain the types of Foreign Exchange Risk. (8)

B) Discuss Technique of Forex Risk management. (7)

OR

Q.5) Short notes on (Any 3) (15)

a) Vehicle currency

b) Speculation

c) Direct quote

d) Arbitrage

e) Capital Account Convertibility

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