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Roll No. ....

**II-498**

**Dual Degree/B.M.S./M.B.A.**

**EXAMINATION, Dec. 2018**

(Ninth Semester)

(Main & Re-appear)

MBIIB01

FOREIGN EXCHANGE MANAGEMENT

*Time : 3 Hours]*

*[Maximum Marks : 70*

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Before answering the question-paper candidates should ensure that they have been supplied to correct and complete question-paper. No complaint, in this regard, will be entertained after the examination.

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**Note :** Attempt *Five* questions in all, selecting at least *one* question from each Unit. All questions carry equal marks.

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**P.T.O.**

### Unit I

1. Explain the factors affecting the exchange rate of currency under a system of market-determined exchange rate, and show the impact of weakness in U.S. \$, decrease in interest rate and inflation rate and industrial reforms on Indian Rupee in international market. **14**
2. Explain the following : **6+8**
  - (a) Difference between Spot market and Forward market of foreign exchange.
  - (b) Role of RBI in exchange rate control.

### Unit II

3. What is expectation theory ? How does it work ? How does it differ from interest rate parity ? Give an example to illustrate your answer. **14**
4. Explain the following : **8+6**
  - (a) International Fisher Effect.
  - (b) Factors affecting forward margins.

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### Unit III

5. What is currency option market ? Describe its features. Explain the trading and settlement mechanism of currency option market. **14**
6. (a) Differentiate forward and future contracts with suitable examples. **7**  
(b) Explain the features of Currency Swap. **7**

### Unit IV

7. (a) American Depository Receipt. **7**  
(b) Euro Currency Market. **7**
8. Explain the various techniques to manage transactions risk and exposure with examples. **14**

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**90**