

18CC2019

M.B.A. EXAMINATION, 2020

(Third Semester)

(C Scheme)

(Re-appear Only)

MASER OF BUSINESS ADMINISTRATION

IB01C

FOREIGN EXCHANGE MANAGEMENT

Time : 3 Hours]

[Maximum Marks : 75

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.

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

Unit I

1. Explain how the following factors affect the exchange rate of a country under a system of market determined exchange rate :
 - (a) Tariffs and quotas placed on import into the country.
 - (b) Rising productivity in the country relative to other country.
 - (c) Rising real interest rates overseas, relative to the country's rate.
 - (d) An increase in the rate of money supply growth in the country.
 - (e) Increase demand for the country's exports by foreigners and decrease demand for Importers by the Country's residents.

2. Explain the following : 7½×2=15
- (a) Difference between Spot market and Forward market.
 - (b) Bid-Ask spreads and floating exchange rate.

Unit II

3. Explain with the help of example that how the international fisher effect reflects interest rate parity and the expectation theory of forward rates. 15
4. Describe interest rate parity theory. Is it sufficient to explain the behaviour of the exchange rate in a forward market ? Give your answer. 15

Unit III

5. "Options writer has limited profit and unlimited loss whereas option buyer has limited losses and unlimited profits." Discuss this statement in the context of currency options with examples. 15
6. Enlighten the features of currency futures. Explain the trading and settlement mechanism of currency futures with example. 15

Unit IV

7. Explain any *three* sources of long-term finance for international investment with the relevance of each. 15
8. Do you think that IT sector is more exposed to economic exposure than other ? Based on the economic exposure of the MNC, comment on the method used to hedge its exposure. 15