

Roll No. ....

Exam Code : D-18

Subject Code—0257

**M.B.A. EXAMINATION**

(Batch 2018 Onwards)

(Third Semester)

FOREIGN EXCHANGE MANAGEMENT

IB-318

*Time : 3 Hours*

*Maximum Marks : 70*

**Note :** Attempt *Five* questions in all, selecting at least *one* question from each Unit in addition to compulsory Q. No. 1.

**1.** Describe the following :

- (i) Exchange rate quotations.
- (ii) Arbitrage profit in foreign exchange market.
- (iii) Triangular and locational arbitrage.

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- (iv) Explain at the money, in the money and out of the money option contract.
- (v) Factors influencing the translation gains or losses.
- (vi) Currency invoicing.
- (vii) Covered interest arbitrage. 7×2

### Unit I

- 2. Define foreign exchange market. What are its functions and marketing participants ? Discuss. 14
- 3. How the exchange rate is determined in forward markets ? Explain. 14

### Unit II

- 4. What are the different factors effecting foreign exchange rate ? Explain. 14
- 5. What are the assumptions of interest rate parity theory of exchange rates ? Examine the main propositions of this theory. 14

### Unit III

- 6. How the foriegn exchnage exposure affects the multinational firms ? Discuss. 14
- 7. Write a comprehensive note on management of transaction exposure. 14

### Unit IV

- 8. What do you mean by option ? How would you use options for foreign exchange risk management ? Explain. 14
- 9. Discuss the features of currency futures. Why should a person invest in them ? Explain your answer with the help of giving suitable examples. 14