UUCMS. No.

B.M.S. COLLEGE FOR WOMEN, AUTONOMOUS

BENGALURU - 560004

SEMESTER END EXAMINATION – SEPT/OCT 2023

M.Com – 4th Semester

FOREX MANAGEMENT

Course Code: MCM403FT Time: 3 Hours

Max. Marks: 70

SECTION – A

1. Answer any SEVEN questions. Each question carries TWO marks.

(7X2=14)

- a. What do you mean by Indirect Quote? Give example.
- b. What do you mean by Hedging?
- c. Give the meaning of Swaps.
- d. List the participants in FOREX Market.
- e. Give the meaning of Arbitrage.
- f. What do you mean by Equilibrium?
- g. What do you mean by Spot Exchange Rate?
- h. State the Impact of Exchange Rate on Balance of Payments (BOP)
- i. Expand SWIFT & LERMS.
- j. What do you mean by computerized trading programme?

SECTION – B

Answer any FOUR questions. Each question carries FIVE marks.

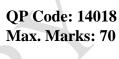
- 2. Explain briefly the mechanics involved in making foreign payments?
- Outline the features of FOREX Market. 3.
- 4. Explain the main components of a Forex trading infrastructure?
- Write a note on Evolution of Foreign Exchange Market 5.
- Write a note on key intermediaries in the foreign exchange market? 6.
- What are the types of Foreign Exchange Risks? 7.

SECTION - C

Answer any TWO questions. Each question carries TWELVE marks. (2X12=24)

- 8. What are the key factors that can affect exchange rates? Explain the key reasons highlighting the importance of the foreign exchange market?
- 9. Explain the Impact of exchange rate on BOP and Remedial measures taken by Government & Regulatory Authorities in India?
- 10. Explain the different theories of Exchange Rate Determination.
- 11. Explain different types of Exposures in Foreign Exchange Market.

(4X5=20)



SECTION – D (Compulsory Skill-based Question)

(1X12=12)

12. Assume FRESNO Corporation will have to make payment of pound 400,000 in 180 days in respect of goods imported from UK. It considers using a (1) Forward hedge (2) money market hedge (3) an option hedge (4) No hedge. Its analysts develop the following information which can be used to analyze alternative solutions:

Spot rate of pound 1 GBP = $$1.50$					
180 day forward rate1GBP = 1.47					
Interest rate are as follows:					
	UK	US			
180 day deposit rate	4.5%	4%			
180 day borrowing rate	5.0%	4.5%			

A call option on Pounds that expires in 180 days has an exercise price of \$1.48 and a premium of \$0.03

Fresno Corporation forecasted the future spot rate in 180 days as follows:

Possible outcome	Probability
\$1.43	20%
\$.146	70%
\$1.49	10%

Using the above data suggest which hedge is best by showing all the calculation. (10) Break up of marks: Forward Hedge (3) Money Market Hedge (4) Options Hedge (3) No Hedge (2)
