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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

QP Code: 14018

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. (4X5=20)

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

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.

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 1GBP = \$1.50

180 day forward rate 1GBP = \$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)
