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**MBA 2 Yr. 3rd Semester New Scheme
2019-20**

Examination – March, 2021

FOREIGN EXCHANGE MANAGEMENT

Paper : 20IMG23GI1

Time : Three Hours]

[Maximum Marks : 80

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

Note : Section – A is *compulsory*. Attempt *one* question from each Unit in Section – B. All questions carry equal marks.

SECTION – A

1. Write short note on the following :

- (a) Nominal Exchange Rates
- (b) Currency depreciation
- (c) Arbitrage
- (d) Currency swap

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- (e) Balance of payment
- (f) Exchange rate fluctuations
- (g) Cross rate of exchange
- (h) Currency forwards and Futures

SECTION – B

UNIT – I

2. Explain the factors that give rise to 'Demand' and 'Supply' of foreign currency.
3. Answer the following:
 - (a) What do you understand from Purchasing power parity theory? Explain with examples.
 - (b) "If the whole world has a single currency, then forex market would cease to exist." Appraise.

UNIT – II

4. What are the assumptions of Dornbusch's theory? Explain its mechanism and relevance in current scenario.
5. Discuss the monetary and fiscal policy initiatives directed by the RBI for exchange rate management.

UNIT – III

6. Explain Foreign Exchange Market. What are its functions? Write a note on the various participants of foreign exchange markets.

7. Briefly explain the different types of quoting exchange rates with the help of suitable examples.

UNIT – IV

8. Discuss internal techniques of managing transaction exposure risk.
9. Write a detailed note on rules and regulations with regard to foreign exchange regulation in India.