



Paper ID : 250419

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Subject Code: KMBNFM04

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MBA
(SEM IV) THEORY EXAMINATION 2024-25
FOREIGN EXCHANGE AND RISK MANAGEMENT

TIME: 3 HRS**M.MARKS: 100****Note: Attempt all Sections. In case of any missing data, choose suitably.****SECTION A****1. Attempt all questions in brief. 2 x 10 = 20**

Q no.	Question
a.	What is currency futures?
b.	Define Exchange rate risk.
c.	Distinguish between spot rate and forward rate.
d.	Difference between forex exposure and forex risk.
e.	What is Direct and Indirect Quotation?
f.	What is 'Spread'?
g.	Define the terms Bid and Offer rate.
h.	What do you mean by forward Contract ?
i.	Mention the instruments to manage Currency risk.
j.	Differentiate currency forward, currency futures and currency options.

SECTION B**2. Attempt any three of the following: 10 x 3 = 30**

a.	Who are the major participants in the forex market?
b.	What is the Exchange rate? Explain its type.
c.	Explain various methods to deal with foreign exchange risks.
d.	Discuss the advantages and disadvantages of full convertibility of the Indian rupee on both current and capital accounts.
e.	Explain the different types of buying and selling rates in the foreign exchange market

SECTION C**3. Attempt any one part of the following: 10 x 1 = 10**

a.	Describe the SWIFT system and its significance in the settlement of foreign exchange transactions.
b.	What do you mean by Hedging techniques? Explain internal and external Hedging techniques.

4. Attempt any one part of the following: 10 x 1 = 10

a.	What is interest rate risk? How to hedge interest rate risk? Explain with an example.
b.	Explain the concept of Purchasing Power Parity (PPP) and how it is used to determine exchange rates. Provide an example to illustrate your explanation.

5. Attempt any one part of the following: 10 x 1 = 10

a.	Describe the characteristics of spot transactions in foreign exchange. How do they differ from forward transactions?
b.	Discuss the scope of forex management and explain the advantages of Forex trading.

6. Attempt any one part of the following: 10 x 1 = 10

a.	What is Foreign Exchange (FX) Risk Management? Explain the key FX risk management techniques.
b.	What are CHIPS and CHAPS, and how do they differ regarding their functions in the settlement process?

7. Attempt any one part of the following: 10 x 1 = 10

a.	What do you mean by cancellation and extension of forward Contracts? What is the impact of cancellation and extension on the customer?
b.	What are foreign exchange markets? What is their most important function? How is this function performed?