

P.G.D.F.M. (Sem-II)

August-2023

Con. 290–22.

YZ–8584

(3 Hours)

[Total Marks : 80]

- N.B. :** (1) Question No. 1 is **compulsory**.
 (2) Attempt any **3** questions from question no. **2** to **5**, each carrying **20** marks.
 (3) Figures to the **right** indicate full marks.
 (4) Working **notes** should form the **part** of your answer.
 (5) Use of **simple calculator** is **allowed**.

1.(a) Select appropriate answer from alternatives given and rewrite the statement :

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- (i) The Flexible Exchange Rate System did valuation against...
 (a) Gold
 (b) USD
 (c) Market Demand and Supply forces
 (d) Woods
- (ii) ----- act gives the central government the power to restrict the foreign exchange transaction.
 (a) FEDAI
 (b) FEMA
 (c) The Companies Act
 (d) FERA
- (iii) Who plays a catalytic role for smooth functioning of the markets through closer co-ordination with the RBI, organizations like FIMMDA the FOREX Association of India and various market participants?
 (a) CRR
 (b) SLR
 (c) Money changers
 (d) FEDAI
- (iv) Which is the Foreign Bonds sold in Canada?
 (a) Maple Bond
 (b) Samurai Bond
 (c) Dragon Bond
 (d) Bulldog Bond
- (v) Which transactions are undertaken to 'Cover' merchant transactions to lock the profit margins?
 (a) Merchant Transactions
 (b) FIMMDA Transactions
 (c) Inter-bank Transactions
 (d) Britton Woods Transactions

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(b) Suggest appropriate word / phrase for the following statements :—

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- (i) Most of the countries which do not print their own currency have adopted US Dollar, is referred as —
- (ii) Intermediate exchange rate system. The rate is fixed with another currency. However, the fixed rate itself is adjusted periodically in small amounts-
 - (a) Banks and selected entities licensed by the Reserve Bank to undertake the bulk of the foreign exchange transactions-
 - (b) Depository receipt Which can be issued to investors in two or more countries simultaneously -
 - (c) International Mutual Funds or institutions who invest money in the Indian securities markets -

(c) State whether the following statements are **True** or **False** and rewrite them :

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- (i) The exchange rate is fixed by the central bank of the country in a fixed exchange rate system.
- (ii) The absolute version of the purchasing power parity (PPP) theory put forward to find the relative strength of the changes in the equilibrium foreign exchange rate.
- (iii) An option to buy the underlying asset is known as a Put option and an option to sell the underlying asset is known as a call option.
- (iv) In Euro bond, foreign company issues bond denominated in the currency denomination of the foreign country.
- (v) An ADR can be described as a negotiable derivative instrument, traded on a US exchange, issued by a US bank, representing specified number of shares of a foreign company.

(d) Match the pairs of type of Derivative in column 'A' with their relevant feature in column 'B'.

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No.	Column A	No.	Column B
(i)	Spot	A	Margins are not required.
(ii)	Forward	B	Requires the immediate delivery or exchange of Currencies.
(iii)	Future	C	Gives holder the Right, but not the obligation, to sell or buy a given quantity of an asset at a specified price at a specified future date
(iv)	Option	D	Simultaneous sale of spot currency for the forward purchase of the same currency
(v)	Swaps	E	Margins are required

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2. (a) Elucidate on the Components of Eurocurrency Markets. **10**
- (b) Describe the Purchasing Power Parity Theory with its both versions. **10**
3. (a) Explain the structure of Indian Foreign Exchange Market. **10**
- (b) For the following quote : **10**
 - (i) Identify the country in which this is a direct quote,
 - (ii) Find the mid-rate, spread and the spread percentage,
 - (iii) Calculate the inverse quote.

USD 1 = CAD 1.1630/50
4. (a) Explain the 'Factors Affecting Foreign Exchange Rates'. **10**
- (b) Write in detail on the 'Participants of Futures Markets'. **10**
5. Write **short notes** on any **four** :— **20**
 - (a) Features of Managed Float System
 - (b) Differentiate between Purchasing Power Parity and Interest Rate Parity (IRP)
 - (c) Direct and Indirect Quotes and Cross Rates
 - (d) Distinction between Depository Receipts and Participatory Notes
 - (e) Indian Depository Receipt.
