

P4-Exam-2022-271

Con. 291-22.

YZ-8695

(3 Hours)

[Total Marks : 80]

- N.B. :** (1) There will be **five** questions in **all**.
 (2) Question No. **1** is **compulsory** which carry **20** marks.
 (3) Attempt any **three** from the **remaining** questions.
 (4) Draw **flow-charts, diagram** where **necessary**.

1. (a) Fill in the blanks : **10**
- (i) The changes in output of Gold can bring changes in the _____ level.
 - (a) Inflation
 - (b) Prices
 - (c) Income
 - (d) Employment
 - (ii) Managed float exchange rate system is also called as _____.
 - (a) Clean Float
 - (b) Dirty Float
 - (c) Messy Float
 - (d) Peg Float
 - (iii) Interest rate parity connects interest, foreign exchange rates and _____.
 - (a) Future
 - (b) Forward
 - (c) Spot
 - (d) Hedge
 - (iv) According to _____ Interest Rate theory, the exchange rate forward premiums (discounts) nullify the interest rate differentials between two sovereigns.
 - (a) Covered
 - (b) Under-Covered
 - (c) Over-Covered
 - (d) Uncovered
 - (v) When foreign bills of exchange are used in international payments, a credit for about _____, till their maturity, is required.
 - (a) 3 months
 - (b) 4 months
 - (c) 2 months
 - (d) 5 months
 - (vi) A dealing room is a centralised establishment, usually of a _____.
 - (a) Central bank
 - (b) Commercial bank
 - (c) World bank
 - (d) Financial bank
 - (vii) _____ Gives the units of currency of foreign country per unit of the domestic currency.
 - (a) Opposite Quotes
 - (b) Straight Quotes
 - (c) Direct Quotes
 - (d) Indirect Quotes
 - (viii) _____ represents the Risk Management hub of all dealing operations.
 - (a) Front office
 - (b) Mid office
 - (c) Co-operate office
 - (d) Back office
 - (ix) _____ is negotiable certificate of share in a foreign corporate institutions held by an investor stating its ownership from a country outside the market in which the shares are traded.
 - (a) Depository receipt
 - (b) Fixed deposit receipt
 - (c) Equity receipt
 - (d) Commercial certificate
 - (x) _____ are issued for the overseas investors who want to invest in the stock markets in India without being registered under SEBI.
 - (a) Participatory Notes
 - (b) Equity Notes
 - (c) Bill of exchange
 - (d) Promisory notes

[TURN OVER]

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(b) Match the column A with column B :

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Column A	Column B
1) Smithsonian Agreement	a) PPP
2) Gustav Cassel	b) 2000
3) FEMA	c) 1971
4) FERA Closed	d) British pound
5) GBP	e) 1973

(c) State whether the given sentences are **true** or **false** :

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- (i) The main objective of FEMA is to reduce the strict restriction on foreign exchange
- (ii) Interest rate, inflation rate & foreign exchange rates are always opposite.
- (iii) The law of one price explains that identical goods should be sold for the same price in two same markets.
- (iv) Dealing rooms in India are now required to maintain 'Voice Recording System'.
- (v) Indian Depository Receipt which are issued only to investors in India.

2. Answer the following questions : (10 marks each)

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- (a) Write advantages & disadvantages of Fixed Exchange Rate System.
- (b) Explain the Characteristics of EURO CURRENCY Markets.

3. Answer the following questions : (10 marks each)

20

- (a) Write Criticism of PPP Theory.
- (b) Explain how demand and supply affects exchange rate.

4. Answer the following questions : (10 marks each)

20

- (a) Explain types of foreign exchange transactions.
- (b) Spot USD/INR Spot = 46.8000 / 46.9000
1 month FP = 50/80
3 month FP = 100/200
6 month FP = 200/300
Find forward rates for 1 month 15 days and also for 3 months 25 days.

5. Write short notes (any four) :

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- (a) Bond Issue procedure
- (b) GDR Characteristics
- (c) Participatory Notes
- (d) Forward contract
- (e) Currency swaps