

(3 Hours)

[Total Marks : 80]

- N.B. :** (1) There will be **five** questions in **all**.
 (2) Question No. **1** is **compulsory** which carries **twenty** marks.
 (3) Attempt any **three** questions from the remaining.
 (4) Numbers to the **right-hand-side** indicate **total** marks.
 (5) Draw **flow-charts, diagrams** where **necessary**.

1. (a) Select appropriate answer from alternatives given below and rewrite the sentences. **10**

(i) _____ made valuation against gold on a fixed basis.

- (a) Gold Standard (c) Floating exchange rate system
 (b) Brettonwoods system (d) Fixed exchange rate system

(ii) The fixed rate itself is adjusted periodically in small amounts hence the name _____ is assigned.

- (a) crawling band (c) crawling bond
 (b) crawling peg (d) crawling security

(iii) _____ are international bonds denominated in a currency which is different from that of the country in which they were issued.

- (a) Foreign Exchange (c) Eurobonds
 (b) Euroloans (d) None of the above

(iv) The _____ is defined "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for maintenance of foreign exchange market and promoting the orderly development in India".

- (a) FEMA (c) FEEA
 (b) FERA (d) FECA

(v) _____ is used to find out the relationship between spot exchange rate and a corresponding forward exchange rate of currencies.

- (a) Purchasing Power Parity (c) Interest Rate Parity
 (b) Purchasing Powder Parity (d) None of the above

(vi) _____ involve management of medium and long term financial resources and requirements, thereby ensuring compliance of the Statutory Liquidity Ratio (SLR) specified by RBI from time to time.

- (a) Call money operations
 (b) Commodity operations
 (c) Foreign currency operations
 (d) Securities operations

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- (vii) The term _____ exchange refers to the class of foreign exchange transaction requiring immediate delivery.
- (a) forward (c) eurocurrency
(b) spot (d) petro dollars
- (viii) _____ are YEN bonds floated in Japan's open market.
- (a) Yankee bonds (c) Samurai bonds
(b) Bulldog bonds (d) Kangaroo bonds
- (ix) These are issued only to investors in America _____.
- (a) GDR (c) IDR
(b) ADR (d) FDR
- (x) _____ are international derivative financial instruments used by hedge funds, private institutions and investors to invest in Indian securities without registration with the Securities and Exchange Board of India (SEBI).
- (a) Participatory Notes (c) P-Notes
(b) PNs (d) All of the above
- (b) State whether the following statements are **true** or **false** :
- (i) When an international hedge fund or an investor purchases a P-Note, they incur asset value risk.
- (ii) A forward contract is a simple customized contract between two parties to buy or sell an asset at a certain time in the future for a certain price.
- (iii) Hedger earns profits from price fluctuations.
- (iv) Put option is an option conferring the buyer the right to sell an underlying asset against another underlying at a specified time on or before pre-determined date.
- (v) In Gold Standard, each country was allowed to have 3% band around which their currency was permitted to fluctuate around the fixed rate.

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- (c) Match the following :

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Column A	Column B
1) Flat rate	a) Reduce strict restriction on foreign exchange
2) Bretton woods	b) Canada
3) FEMA	c) Swedish economist
4) Gustave Cassel	d) Mid rate
5) Maple bond	e) A place in New York

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2. Answer the following questions : **(10 marks each)** **20**
 - (a) Explain the reasons for the failure of the Bretton Woods system.
 - (b) State the advantages and disadvantages of Gold Standard.

3. Answer the following questions : **(10 marks each)** **20**
 - (a) Describe the features of fixed exchange rate system.
 - (b) Describe present exchange rate system.

4. Answer the following questions : **(10 marks each)** **20**
 - (a) Explain the factors that contributed to the growth of Eurocurrency market.
 - (b) Given
 EUR/USD 1.3132
 USD/SGD 1.4733
 EUR/SGD 1.9332
 Identify if triangular arbitrage exists and calculate the same.

5. Write explanatory notes on any **four** out of **five** : **20**
 - (a) Global Depository Receipt
 - (b) Various types of bonds
 - (c) Characteristics of Eurocurrency markets
 - (d) Principal features of FEMA
 - (e) Criticisms of Purchasing Power Parity theory.