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Roll No. ....

**56056**

**MBA 2 Year 3rd Semester (New  
Scheme) Batch 2011-2013  
Examination–December, 2014**

**FOREIGN EXCHANGE MGT.**

**Paper : MBA-317**

**Time : 3 hours**

**Max. 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 the examination.

**Note :** Attempt **five** questions in all. Question No. 1, from section A, is **compulsory**. From Section B, attempt **four** questions (one question from each unit). All questions carry equal marks.

**SECTION – A**

**1. Briefly explain the following :**

(a) Capital account

- (b) Over valued currencies
- (c) Interest rate parity
- (d) Devaluation of a currency
- (e) Hedging
- (f) Bid-ask spread
- (g) Credit risk
- (h) Economic exposure

## **SECTION - B**

### **UNIT - I**

2. Explain the significance of foreign exchange for a country. What are the sources and uses of foreign exchange ? How can foreign exchange reserves be increased ?
3. Discuss in detail various exchange rate systems, clearly highlighting their merits and demerits.

## **UNIT - II**

4. What are the advantages and disadvantages of exchange rates stability ? Why and how should the central bank of a country intervene to maintain it ?
5. Write notes on :

(a) J-curve effect

(b) Effect of depreciation on trade balance.

## **UNIT - III**

6. Explain and illustrate a forward contract. How is it different from futures contract ? How does it help an exporter or importer ?
7. Differentiate between covered and uncovered interest rate parity, using suitable illustration.

#### **UNIT - IV**

8. Discuss the major types of margin with respect to a futures contract. What is the role of margin requirement ?
  9. Write a detailed note on the management of economic exposure.
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