19. Elaborate any five provisions of the FEMA.

20. What do you mean by

    (a) In-the-money option

    (b) At-the-money option

    (c) Out of the money option

    (d) OTC option.

(For candidates admitted from 2016–2017 onwards)

M.Com. DEGREE EXAMINATION, NOVEMBER 2022.

Bank Management – Elective

FOREIGN EXCHANGE MANAGEMENT

Time : Three hours Maximum : 75 marks

SECTION A — ($10 \times 2 = 20$)

Answer ALL questions.

1. Define foreign exchange.

2. What do you mean by capital account?

3. What is gold exchange standard?

4. State the essential pre-conditions for introducing Capital Account Convertibility.

5. What are Vastro accounts?

6. What is cross rate?

7. State the objectives of the Foreign Exchange Regulation Act, 1973.

8. Who are categories II authorised dealers?

9. What is an indirect quotation in foreign exchange market?

10. What is a put option?

SECTION B — (5 × 5 = 25)

Answer ALL questions, choosing either (a) or (b).

11. (a) What are services rendered by the dealings section of the Foreign Exchange Department of a bank?

Or

(b) What is capital account? What are its components?

12. (a) 'The floating rates of exchange truly reveal the purchasing power parities of currencies in terms of each other'. Elucidate.

Or

(b) Bring out the features of the exchange rate system adopted under IMF.

13. (a) Do you consider forward rate can be an unbiased predictor of future spot rate? Justify.

Or

(b) With an example, explain the concept of triangular arbitrage with transaction cost.

14. (a) Trace the history of exchange control in India.

Or

(b) Make a list of remittances of Foreign Exchange which need prior approval of the Central Government.

15. (a) Explain the need for two-way quotation in foreign exchange markets.

Or

(b) Write a note on the pricing of currency futures.

SECTION C — (3 × 10 = 30)

Answer any THREE questions.

16. Explain the methods meant for correction of disequilibrium in Balance of Payment.

17. What are the different currency arrangements adopted by members of IMF? What is the rule of IMF in the exchange arrangements of its members?

18. Examine the relationship between forward rate and spot rate with a suitable illustration.