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St. Claret College

Autonomous, Bengaluru

ROLL NO:
DATE:

PG END SEMESTER EXAMINATION- JUNE/JULY 2026

M.Com.: IV SEMESTER

MCODSF 4325: FOREX MANAGEMENT

TIME: 3 hours. **MAX. MARKS: 70**

This paper contains TWO printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer EIGHT questions out of TEN. Each answer carries TWO marks. [8x2 = 16]

1. Define Foreign Exchange Market.
2. State the features of a Managed Float Exchange Rate System.
3. List any two causes of fluctuations in foreign exchange rates.
4. What is Purchasing Power Parity Theory?
5. Explain the concept of NEER and REER.
6. What is a Non-Deliverable Forward (NDF)?
7. Distinguish between Direct and Indirect Quotes.
8. Explain the meaning of Nostro and Vostro Accounts.
9. What is Transaction Exposure?
10. State any two advantages of currency options.

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. [4x5=20]

11. Explain the structure and participants of the Foreign Exchange Market.
12. Discuss the role of RBI, IMF and World Bank in Forex Regulation.
13. Illustrate the application of PPP and Interest Rate Parity in exchange rate determination.

14. Demonstrate the computation of Direct and Indirect Quotes with suitable examples.
15. Explain the process of international payments through SWIFT and correspondent banking.
16. Apply internal hedging techniques for managing forex risk in business organizations.

PART-C

Answer any TWO questions out of THREE. Each answer carries TEN marks. [2x10=20]

17. Analyze the evolution of International Monetary Systems and compare Fixed, Flexible and Managed Float Exchange Rate Systems.
18. Examine the factors affecting exchange rates and evaluate the relevance of Flow Model and Asset Market Model in exchange rate determination.
19. Assess the effectiveness of forwards, futures, options and money market hedging techniques in managing foreign exchange risk.

PART-D

Answer the following. Answer carries Fourteen Marks. [1X14=14]

20. Case Study

ABC Exports Ltd., an Indian exporter, expects to receive USD 100,000 after three months from a foreign buyer. The current spot rate is ₹83.20/USD. The company fears that the rupee may appreciate against the US dollar, reducing its export realization.

The company has the following alternatives:

- Enter into a forward contract at ₹83.50/USD.
- Purchase a currency option with a strike price of ₹83.40/USD by paying a premium of ₹0.40 per USD.

Based on the above information:

a) Explain the foreign exchange risk faced by ABC Exports Ltd. (3 Marks)

b) Calculate the rupee realisation if the company enters into a forward contract. (4 Marks)

c) Explain how the currency option can protect the exporter against adverse exchange rate movements. (4 Marks)

d) Suggest the most suitable hedging strategy and justify your answer. (3 Marks)

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