

Time: 2 ½ hours

Marks- 75

N.B: 1. All questions are compulsory.**2. Number to the right indicate marks.****3. Use of simple calculator is allowed.****Q1 (A) Multiple Choice Questions. (Any Eight)****(8)**

1. Cost of Carry model states that _____.
 - a) Price of futures= Spot + Cost of Carry
 - b) Price of futures= Bid + Cost of Carry
 - c) Price of futures= Cost of Carry
 - d) Price of futures= Spot - Cost of Carry
2. A process of valuing underlying assets in a futures contract at the end of each trading day is _____.
 - a) Hedging
 - b) OTC Trading
 - c) Intra Day Trading
 - d) Mark to Market
3. In diagonal spread of options, strike price is _____.
 - a) different
 - b) Same
 - c) cannot be determined
 - d) no relationship
4. The underlying asset for a derivative contract can be _____.
 - a) Equity
 - b) Commodities
 - c) Interest Rate
 - d) All of the above
5. A _____ is our account of their money, held by you.
 - a) NOSTRO
 - b) VOSTRO
 - c) LORO
 - d) None of these
6. The first exchange traded financial derivative in India commenced with the trading of _____.
 - a) Index Futures
 - b) Index Options
 - c) Stock Futures
 - d) Interest Rate Swaps
7. A simultaneous purchase and sale of foreign exchange for two different dates is called _____.
 - a) Currency Swap
 - b) Currency devalue
 - c) Currency Exchange
 - d) Currency Valuation
8. An option seller is also known as _____.
 - a) option copier
 - b) option holder
 - c) option creator
 - d) Option writer
9. _____ Theory states that the exchange rate between currencies of two countries should be equal to the ratio of the countries price levels.
 - a) IPR Theory
 - b) Purchasing Power
 - c) Fishers Parity Theory
 - d) None of the above
10. Mid quote also known as _____ rate.
 - a) Ask
 - b) Spread
 - c) Reference
 - d) Bid

Q .1 B State whether below questions are True or False. (Any 7)

(7)

1. American Option can be exercised on any date up to expiry date.
2. Pay-off of futures contract is linear.
3. The interest rates in the national and Euro-currency markets cannot be independently determined.
4. Futures contract are customizable between the buyer and seller.
5. Intrinsic value of call option = Strike Price – Underlying Asset's Current Price
6. The account maintained by a foreign bank with a domestic bank in domestic currency is known as Loro accounts.
7. Spread is the sum of Bid Rate and Ask Rate.
8. Currency Depreciation refers to an increase in the value of domestic currency in terms of foreign currency.
9. Covered Interest Arbitrage is the one in which foreign exchange is not hedged.
10. Risk and exposures are same.

Q. 2. A) Explain “Bull Call Spread” along with an example and a graph.

(8)

B) Distinguish between Direct and Indirect Rates.

(7)

OR

C) Calculate Inverse Quotes for the following.

(8)

Currency	Rate
EUR/ AUD	1.2298 - 1.2208
EUR/SEK	7.3590 - 7.3740
USD/SGD	1.4395 - 1.4305
GBP/SGP	1.6865 - 1.6875

D) What is Foreign Exchange Market? Who are the Participants of Foreign Exchange Market? (7)

(7)

Q. 3) A) Explain features of Futures Contract.

(8)

B) What are the determinants of Foreign Exchange Rate?

(7)

OR

C) USD SGD 1.3423 / 1.3433

SGD GBP 0.4323 / 0.4333

CALCULATE GBP USD QUOTATION.

(8)

D) Explain the Structure of Foreign Exchange Market.

(7)

Q.4 (A) Explain different types of Foreign Exchange Risk.

(8)

(B) Calculate the forward buying and selling rates from the following information:
Interbank spot Dollar Rupee rate 1 = Rs 78.1110/78.1220

(7)

- 1 Month – 200/300
- 2 Month - 100/200
- 3 Month – 400/500

OR

C) Describe the characteristics of Foreign Exchange Market. (8)

D) Spot USD/INR quote is 82.1295, USD interest rate (p. a) is 3.50 %, INR interest rate (p. a) is 6.75%, Find 6 months forward rate. Find 6 months forward rate (F). (7)

Q.5) (A) Describe Fundamental and Technical Approach in forecasting Exchange Rates (8)

(B) Explain in detail Purchasing Power Parity Theory. (7)

OR

(B) Write short notes. (Any Three) (15)

1) NOSTRO Account

2) Mark to Market

3) Call Option

4) OTC Market

5) Fishers Parity
