



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2023

Course: Foreign Exchange Management and Trade Finance

Program: MBA –IB

Course Code: INTB 7003

Semester: II

Time : 03 hrs.

Max. Marks: 100

Instructions: This paper has three sections A, B and C. Please read the instructions in the respective sections.

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Attempt the following multiple-choice questions:		CO1
1	Paper currency can be converted at a fixed rate into the paper currency of the country, if it is operating a gold specie or gold bullion standard, is called: a) Gold Specie Standard b) Gold Bullion Standard c) Gold Exchange Standard d) Gold Standard	02	CO1
2	Which of the following refers to floating exchange rate system: a) Currency prices are determined as per the demand and supply of the currency w/o government interventions. b) Currency prices are determined as per the demand and supply of the currency with government interventions. c) Currency prices are determined as per the demand and supply of the goods w/o government interventions. d) Currency prices are determined as per the demand and supply of the goods with government interventions.	02	CO1
3	Forex can be defined as a) The science of management of generation of foreign currencies in the process of exchange of one currency into other called foreign exchange. b) The science of management of use and storage of foreign currencies in the process of exchange of one currency into other called foreign exchange. c) The science of management of storage of foreign currencies in the process of exchange of one currency into other called foreign exchange. d) None of them	02	CO1
4	Which of the following does not involve FOREX transaction:	02	CO1

	<ul style="list-style-type: none"> a) A citizen of India travels abroad on a business visit and purchases foreign currency from an authorized dealer. b) An Indian citizen goes to USA for a period of three years under an employment contract. He periodically remits US Dollars to his bank account in India. c) An Indian student subscribes to a British scientific magazine and pays for it through an international credit card held by him. d) An Indian industrialist purchases raw material from Malaysia for his plant based in Malaysia under a Letter of Credit arrangement provided by his bank. 		
5	<p>Which of the following skill set is defined by this statement: The forex manager is expected to have in-depth knowledge of functioning of foreign exchange markets, their rules and regulations, the size of their operation, the profile of active currencies, strength, and weakness of the domestic currency etc. to achieve better pricing of deals.</p> <ul style="list-style-type: none"> a) Knowledge of Interest rates b) In-depth knowledge of forex market c) Willingness to undertake risk d) Hedging strategies 	02	CO1
6	<p>The term SWIFT stands for:</p> <ul style="list-style-type: none"> a) Social and worldwide International Financial Telecommunications b) Society for Within International Financial Telecommunications c) Society for Worldwide International Financial Telecommunications d) Social and worldwide Inte- Financial Telecommunications 	02	CO1
7	<p>Which section of the FEMA Act, 1999 empowers Reserve Bank to make regulations to carry out the provisions of the Act and the rules made thereunder</p> <ul style="list-style-type: none"> a) Section 46 b) Section 47 c) Section 41 d) Section 40 	02	CO1
8	<p>Can you associate the symbol 'Dkr' with the any one of the country and currency given below:</p> <ul style="list-style-type: none"> a) Country 'Denmark' & Currency 'Krone' b) Country 'Singapore' & Currency 'Dollar' c) Country 'Finland' & Currency 'Markka' d) Country 'Switzerland & Currency 'Franc' 	02	CO1
9	<p>If the ask price of \$/£ is \$1.6746 and the bid price is \$1.6729, then the % spread may be ascertained as follows:</p> <ul style="list-style-type: none"> a) 0.2% b) 0.3% c) 0.4% d) 0.1% 	02	CO1
10	<p>A currency is pegged to a single currency or a basket of currencies but the leg is periodically adjusted with a range of less than 2 percent in response to</p>	02	CO1

	changes in selective macroeconomic indicators, this definition belongs to which pegging system: a) Hard Peg b) Crawling Band c) Crawling Peg d) Soft Peg										
SECTION B 4Qx5M= 20 Marks											
Q	Attempt the following questions:		CO2								
11.	Explain that how demand and supply forces affect the exchange rate of the currency of any country with the help of any example.	05	CO2								
12.	Higher economic growth rate in the country leads to depreciation of the currency. Do you agree? Explain.	05	CO2								
13.	Balance of payment is affected by the factors including the factors affecting the balance of trade. Compare and contrast BOP and BOT concepts.	05	CO2								
14.	Discuss the concept of capital account convertibility. And its status in Indian context.	05	CO2								
SECTION-C 3Qx10M=30 Marks											
Q	Attempt the following questions:		CO3								
15	Analyze the economic exposure of foreign exchange risk with the help of an example.	10	CO3								
16	Why do economies like Sri Lanka and Pakistan facing the macroeconomic challenges. How do currency depreciation and price affect an economy. Why do nations seek an IMF bailout?	10	CO3								
17	“If a transaction earns foreign currency for the nation, it is a credit and is recorded as a plus item.” Share your understanding in terms of general rule of BOP accounting, its components and Current and capital account convertibility.	10	CO3								
SECTION-D 2Qx15M= 30 Marks											
Q	Attempt the following questions:		CO								
18	Bombay on London is quoted as under: <table border="1" style="margin-left: 40px;"> <tr> <td>Spot</td> <td>£ 2.3430 – 2.3475</td> </tr> <tr> <td>1 month forward</td> <td>2.0 – 1.5 pm</td> </tr> <tr> <td>2 months forward</td> <td>2.25 – 1.75 pm</td> </tr> <tr> <td>3 months forward</td> <td>2.75 – 2.25 pm</td> </tr> </table> <p>Calculate 1 month, 2 months and 3 months forward rates and interpret the results.</p>	Spot	£ 2.3430 – 2.3475	1 month forward	2.0 – 1.5 pm	2 months forward	2.25 – 1.75 pm	3 months forward	2.75 – 2.25 pm	10	CO3
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19	<p>The Punjab National Bank scam relates to fraudulent letter of undertaking worth Rs 10,000 crore issued by the bank. The key accused in the case were jewellery and designer Nirav Modi, his maternal uncle Mehul Choksi, and other relatives and some PNB employees. Nirav Modi and his relatives escaped India in early 2018, days before the news of the scam became public. PNB scam has been dubbed as the biggest fraud in India's banking history.</p> <p>Discuss the PNB Scam, analyze trade finance process with the help of the flow diagram. And also explain the fall out of this case in the form of RBI notifications and how does it make the trade financing more secured.</p>	20	CO4
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