

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER- IV EXAMINATION – WINTER 2020

Subject Code:1549342

Date:05/01/2021

Subject Name:Elective\_Forex Management (FM)

Time:02:00 PM TO 04.00 PM

Total Marks: 47

**Instructions:**

1. Attempt any **THREE** questions from Q1 to Q6.
2. Q7 is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

- Q.1 a Explain the following terms:** **06**
1. CHAPS
  2. OTC Market
  3. Netting
- Q.1 b Explain the following terms:** **06**
1. Direct/ Indirect Quotes
  2. Spot & Forward Rates
  3. Delta
- Q.2 (a)** What is Forward Exchange Contract in Forex Management? Discuss with suitable example. **06**
- Q.2 (b)** Discuss the assumptions of the Law of One Price and explain different forms of PPP theory in brief. **06**
- Q.3 (a)** “Foreign Exchange, usually known as Forex market, helps any country in transactions of another country and thus it holds greater importance in trading, payments, and receipts from the service providers as well as citizens because every country has different currency with different base values.” Discuss the Significance of Forex Market in context of the given statement. **06**
- Q.3 (b)** Discuss the Strategies for Managing Operating Exposure in brief. **06**
- Q.4 (a)** The foreign exchange risk can be transferred to other party by a firm. Discuss the Internal Strategies of Foreign Exchange Risk Management in brief. **06**
- Q.4 (b)** Discuss Theta, Gama and Vega as Greek Letters in Currency Options **06**
- Q.5 (a)** An Indian exporter has obtained an order for supplying CNC Machine parts at the rate of \$100 per piece. The exporter will have to import parts worth \$50 per piece. In addition, variable costs of Rs.200 will be incurred per piece. Explain the impact of Transaction exposure if the exchange rate which is currently Rs.70/\$ moves to Rs.72.50/\$. **06**
- Q.5 (b)** What is Financial Swap? Briefly discuss different types. **06**
- Q.6 (a)** Briefly discuss key Foreign Sources of Finance. **06**

- Q.6 (b)** Assume that the Danish subsidiary of an India company is likely to earn 100 million Kroner each year. The annual depreciation charges are estimated at 10 million Kroner. The exchange rate between the countries is likely to change from INR 9.60 per Danish Kroner to INR 8.00 per Kroner in the next year. **06**

- Q.7** From below given values of Assets and Liability of Tala Consultancy Pvt. Ltd. For the year ended 31/03/2020 find out the translation loss/gain and compare the result.

(Amount in INR, million)

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Share Capital	2000	Goodwill	1000
Current Liabilities	1200	Inventory	600
Retained earning	800	Land & Building	1200
		Furniture & Fixture	600
		Current Assets	600
	<b>4000</b>		<b>4000</b>

Historical Rate = INR 67.45/US; Current Rate = INR 73.50/US

- (a) Analyze Translation Exposure by Current Rate Method **5.5**

- (b) Analyze Translation Exposure by Monetary/ Non-monetary Method **5.5**

**OR**

- (a) Analyze Translation Exposure by Current/Non Current Rate Method **5.5**

- (b) Analyze Translation Exposure by Temporal Method **5.5**

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