

Time allowed: 3 Hours

Max. Marks: 50

NOTE: Attempt five questions in all, selecting atleast two questions from each Section. Assume any missing data.

X-X-X

UNIT -I

- I. What is meant by 'Foreign Exchange Markets'? Examine the functions and importance of 'Forex Markets' in detail. (10)
- II. How exchange rates are determined in 'Forex Markets'? Discuss the factors affecting these rates. (10)
- III. What are 'Foreign Exchange Agreements' (FXA)? How FXA are used for hedging? Discuss citing one example of your choice. (10)
- IV. Define 'Interest Rate Parity'. How it is different from 'Purchasing Power Parity'? What role these play in international financial markets? (10)

UNIT - II

- V. Define 'Interest Rate futures'. How 'IRF' are used for hedging for interest rate exposure? (10)
- VI. Define and discuss 'Transaction Exposure'. Examine various hedging strategies for managing transaction exposure. (10)
- VII. Discuss in detail 'Black -Scholes Model' citing its assumptions and methodology. (10)
- VIII. Write short note on following two:-
 - a) Forward Rate Agreements (2x5)
 - b) Currency Futures

X-X-X