**25MIB210**

**PSG COLLEGE OF ARTS & SCIENCE**
(AUTONOMOUS)

**MCom (IB) DEGREE EXAMINATION MAY 2026**
(Second Semester)

Branch – **INTERNATIONAL BUSINESS**

# FOREIGN EXCHANGE MANAGEMENT

Time: Three Hours    Maximum: 75 Marks

## SECTION-A (10 Marks)

Answer **ALL** questions
**ALL** questions carry **EQUAL** marks    (10 × 1 = 10)

| Module No. | Question No. | Question | K Level | CO |
|---|---|---|---|---|
| 1 | 1 | Foreign exchange refers to<br>(i) Domestic currency transactions<br>(ii) Exchange of goods only<br>(iii) Exchange of one currency for another<br>(iv) Barter trade | K1 | CO1 |
| | 2 | FEDAI mainly deals with<br>(i) Monetary policy<br>(ii) Forex dealer coordination and guidelines<br>(iii) Import licensing<br>(iv) Exchange control | K2 | CO1 |
| 2 | 3 | A fixed exchange rate system is characterized by<br>(i) Market-determined rates<br>(ii) Government-determined rates<br>(iii) Floating rates<br>(iv) No intervention | K1 | CO2 |
| | 4 | Real exchange rate adjusts nominal rate for<br>(i) Interest rate (ii) Inflation<br>(iii)Trade balance (iv) Capital flows | K2 | CO2 |
| 3 | 5 | Fixed forward rate is applicable when<br>(i) Delivery date is fixed (ii) Delivery is optional<br>(iii) No maturity (iv) Spot delivery | K1 | CO3 |
| | 6 | Inter-bank deals are mainly<br>(i) Retail transactions<br>(ii) Government deals<br>(iii) Customer deals<br>(iv) Wholesale forex transactions | K2 | CO3 |
| 4 | 7 | Transaction exposure arises due to<br>(i) Accounting translation<br>(ii) Outstanding foreign currency transactions<br>(iii) Market competition<br>(iv) Interest changes | K1 | CO4 |
| | 8 | Leading means<br>(i) Delaying payment<br>(ii) Hedging<br>(iii) Cancelling payment<br>(iv) Advancing payment | K2 | CO4 |
| 5 | 9 | Currency futures are traded on<br>(i) OTC market<br>(ii) Stock exchange<br>(iii) RBI<br>(iv) IMF | K1 | CO5 |
| | 10 | Risk mitigation involves<br>(i) Ignoring risk<br>(ii) Eliminating business<br>(iii) Reducing impact of risk<br>(iv) Increasing exposure | K2 | CO5 |

**Cont...**

**SECTION - B (35 Marks)**

Answer **ALL** questions
**ALL** questions carry **EQUAL** Marks (5 × 7 = 35)

| Module No. | Question No. | Question | K Level | CO |
|---|---|---|---|---|
| 1 | 11.a. | Describe the role of Commercial Banks in the organization of the foreign exchange market in India. | K2 | CO1 |
| | | (OR) | | |
| | 11.b. | Differentiate between the Spot Market and Forward Market in foreign exchange. | | |
| 2 | 12.a. | Define Exchange Rate and briefly explain the Fixed Exchange Rate System. | K1 | CO2 |
| | | (OR) | | |
| | 12.b. | State the objectives and methods of Exchange Control in India. | | |
| 3 | 13.a. | Explain the factors determining Forward Margins in forward exchange contracts. | K2 | CO3 |
| | | (OR) | | |
| | 13.b. | Differentiate Fixed Forward Rate and Option Forward Rate. | | |
| 4 | 14.a. | Differentiate between Translation Exposure and Economic Exposure. | K2 | CO4 |
| | | (OR) | | |
| | 14.b. | What is Leading and Lagging? Explain how it helps in exposure management. | | |
| 5 | 15.a. | Explain Forward rate agreement, with its features and importance. | K2 | CO5 |
| | | (OR) | | |
| | 15.b. | Justify Financial Swaps as a tool for managing currency and interest rate risk. | | |

**SECTION -C (30 Marks)**

Answer **ANY THREE** questions
**ALL** questions carry **EQUAL** Marks (3 × 10 = 30)

| Module No. | Question No. | Question | K Level | CO |
|---|---|---|---|---|
| 1 | 16 | Identify and explain the major participants in the foreign exchange market and analyze their objectives and roles in market functioning. | K4 | CO1 |
| 2 | 17 | Discuss the types of Exchange rate system with its importance. | K5 | CO2 |
| 3 | 18 | Explain in detail the various types of Foreign Exchange Transactions, with special reference to purchase and sale transactions. | K3 | CO3 |
| 4 | 19 | Discuss the tools and techniques of ALM used to manage foreign exchange risk. | K3 | CO4 |
| 5 | 20 | Describe the concepts of Risk Mitigation, Risk Transfer, and Risk Retention and evaluate their effectiveness in managing financial risks. | K5 | CO5 |

Z-Z-Z END