MASTER OF BUSINESS ADMINISTRATION IN FINANCIAL MARKETS (MBAFM)

00813

Term-End Examination

December, 2012

MCT-076 : FOREX MARKETS

Time : 3 hours | *Maximum Marks : 100*

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*Note : (i) Answer **any three** questions from Part-A and **any two** from Part-B.*

*(ii) All questions carry **equal** marks.*

PART-A

(Answer *any three* questions.)

1. Describe the evolution of Currency markets in the world and the role they play in the development of an economy. **20**

2. (a) What are the products offered in the international money markets ? Describe them. **10**

   (b) How central banks regulate the money markets ? Give examples. **10**

3. Write short notes on the following : **20**

   (a) Fundamental Analysis

   (b) Technical Analysis

4. What are the initiatives taken by the Government to promote international business in India ? Explain them in detail. **20**

5. (a) Describe the different strategies used in forex trading by the dealers. **2x10=20**

   (b) What is the importance of Trading Plan and choosing a Correct Strategy ?

6. Explain the following with reference to capital markets : **4x5=20**

   (a) Primary Markets

   (b) Secondary Markets

   (c) ADR/GDR

   (d) ECB/FCCB.

PART-B

7. (a) What are the rules for cancellation of forward contracts ? Explain. **2x10=20**

(b) An Indian importer booked a 3 month forward contract for C \$ 100,000 at C \$ 1 = Rs.50.34 due on 31.3.2012. However he requested the bank for cancellation of the contract on the due date.

The exchange rates as on 31.3.2012 are as follows :

Re/\$ spot 50.5400 - 50.5800

Exchange Profit margin 4P

What rate will the bank quote for Cancellation of the Contract ? What is the loss or gain for the importer on account of Cancellation ?

8. (a) Explain the following concepts with reference to forex markets : **2x10=20**

(i) Direct quote

(ii) Indirect quote

(b) An Indian importer has a payable of £ 100,000 as on 1.9.2012. The seller has given the importer the following options :

(i) Pay immediately with a Cash discount of 1% on the Payable.

(ii) Pay after 3 months with interest at 4%.p.a.

The borrowing rate in rupees is 12% p.a. The following are the rates in the on-going forex markets as on 1.9.2012

Re/£ spot 81.2600 – 81.3000

3 months forward 38p – 40 P

Exchange profit margin 2 P

Which of the above options is to be preferred by the importer ? Why ?

9. (a) Distinguish between Currency Options and Futures. **2x10=20**

(b) An importer has a payable of US $ 100,000 3 months from now.

The following are the rates in the forex market :

Re/$ spot 56.50

3 month forward 56.95

The following three month European option is available to the importer.

Call option - Strike Price 56.60 (Premium 50 P)

Expected spot rates after 3 months :

Spot	Probability
55.00	.2
56.00	.4
57.00	.1
57.50	.3

Evaluate No cover, forward cover, and call cover and choose the best