

## MBA in SIBFT Sem.-3 Examination

IIS-FT-17

India Exchange Rates, Trade Laws, FERA Con

Time : 2-30 Hours]

November-2024

[Max. Marks : 70

## Marks

- Q:1 Solve the following problems (Any **FOUR**): [14]
- Following are three quotes in three FOREX markets:  
 $1\$ = € 0.93$  in Europe.  
 $1AUD = € 2.40$  in Australia.  
 $1AUD = \$ 2.65$  in New York.  
 Are there any arbitrage gains possible? Assume there are no transaction costs and the arbitrageur has \$1,000,000.
  - The current spot exchange rate is  $\$10.6074/£$  and the three-month forward rate is  $\$10.9533/£$ . You enter into a short position on £2,00,000. At maturity, the spot exchange rate is  $\$11.8293/£$ . How much have you made or lost?
  - In June, Shiv changed 25000 AUD into Euros when the exchange rate was  $1.96 \text{ Euros} = 1 \text{ AUD}$ . In November, he changed the Euros back into AUDs when the exchange rate was  $1.78 \text{ Euros} = 1 \text{ AUD}$ . Calculate the profit or loss he made?
  - You will need 40,000 Hungarian forints for your trip. You discover that 1 US dollar is equivalent to 497.18 forints. How many US dollars you would need to save at the current exchange rate?
  - The price of a toy is 50 euros or 80 dollars. What is the difference in the price on a day when the exchange rate is  $1€ = \$ 1.3585$ . Give your answer in dollars to the nearest cent.

OR

- Q:1(A) Explain the various importance of Exchange Rate. How can the exchange rate significantly impact a country's economic stability? [07]
- (B) Explain Flexible Exchange Rate System with their advantages and disadvantages. [07]

- Q:2 What is Foreign Trade Policy? When it has been come into force? Why is it necessary? Which are the four pillars of foreign trade policy? [14]

OR

- Q:2(A) Discuss the following terminology in context of Trade Regulations: Embargo and Voluntary Export Restraints (VER) [07]
- (B) What is the role of WTO in dispute settlement? Provides mechanisms for resolving trade disputes. [07]

- Q:3 Difference between FERA and FEMA. [14]

OR

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- Q:3(A) Mention the similarities Between FERA and FEMA. [07]  
(B) How FEMA is important in context of external trade and remittances? [07]
- Q:4 Explain the following three types of currency convertibility in detail: [14]  
Fully Convertible, Partial Convertible and Non-convertible
- OR**
- Q:4(A) Explain Current Account in terms of Balance of payments and its [07]  
convertibility with its advantages.  
(B) Difference between Capital Account and Current Account in context of [07]  
Balance of Payment.
- Q:5 Answer the following in brief (Any **Seven**): [14]
1. Which accounts that allow you to trade up to \$10,000 worth of currencies in one lot?
  2. Which of the following is the correct way to express the exchange rate of a Canadian dollar?
    - a. 1 CAD \$
    - b. 1 CAD \$ per 40 Rubles
    - c. 40 Rubles per 1 CAD \$
    - d. 40
  3. When the value of a currency decreases relative to another currency; a currency \_\_\_\_\_. (appreciates, depreciates)
  4. What do you mean by labor-intensive industries? Give two examples of it.
  5. Give one example of trade embargo.
  6. What is the full form of VER and explain it in short.
  7. What is the punishment for those guilty of violating FEMA rules?
  8. What is the primary objective of FERA?
  9. When FEMA has been come into force?
  10. What is CAC (Capital Account Convertibility)?
  11. If FDI is made by an American company in India, that investment will be accounted in the \_\_\_\_\_ account of India. (Capital , Current)
  12. Give two reasons for Currency convertibility.
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