



LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – HONOURS

THIRD SEMESTER – APRIL 2025

UBH 3505 – FOREX MANAGEMENT



Date: 26-04-2025

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION A - K1 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

1. MCQ

- When the seller place the goods at the side of the ship at named port and also clear the goods for Export, which of the terms will be used :
A. FCA- Free Carrier B. FOB – Free On-Board
C. FAS – Free Alongside Ship D. DAP – Delivery at Place
- A person does a transaction with Spot value on 8th January 2024 (Friday), then the settlement will be done on:
A. 9th January, 2024 B. 11th January, 2024
C. 12th January, 2024 D. On the same day
- In case of direct quotation of rate, which is true?
A. Foreign Currency is variable B. Foreign currency is static
C. Indian currency is static D. None of the above
- The demand for domestic currency in the foreign exchange market is indicated by the following transactions in balance of payment.
A. Export of goods and services B. Import of goods and services.
C. Export of goods and services and capital inflows.
D. Import of goods and services and capital outflows
- The statutory authority which administers the Exchange Control in India:
A. Ministry of commerce B. DGFT C. RBI D. FEMA

2. Match the following

- Spot Rate – a. currency investors tend to move during times of uncertainty
- Forward Contract – b. A strategy used to eliminate risk in forex trading
- Hedging – c. the value of one currency relative to another in the present moment
- Leverage – d. a legal agreement to exchange a specific amount of currency in future
- Safe-Haven Currency – e. borrowing money to control a larger position in forex trading

SECTION A - K2 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

3. Fill in the blanks

- The ----- account in BoP marks the inflow and outflow of goods and services into a country
- Purchasing goods from a foreign country is called _____
- EXIM stands for _____
- The document that acts as a receipt for goods and evidence of the contract of carriage is called a _____.
- The _____ document provides coverage for goods during their transit against risks such as damage or theft.

4.	True or False
a)	Forex trading is highly regulated in all countries.
b)	Interest rates and inflation are two important factors that affect exchange rates.
c)	The U.S. dollar is involved in the majority of all Forex transactions worldwide.
d)	Hedging in Forex management is a strategy to reduce the risk of adverse currency movements.
e)	The bid-ask spread refers to the difference between the highest price a buyer is willing to pay for a currency and the lowest price a seller is willing to accept.
SECTION B - K3 (CO2)	
Answer any TWO of the following in 100 words each. (2 x 10 = 20)	
5.	Apply the key objectives and provisions of the Foreign Exchange Management Act (FEMA), 1999, and its impact on India's foreign exchange market.
6.	Construct the different types of derivatives and explain their key types. How are derivatives used to hedge financial risks in international markets?
7.	Explain the mechanism of a Letter of Credit (LC). How does it reduce the risk for both exporters and importers in international trade?
8.	Examine the importance of financing imports in international trade. How does it help businesses manage trade cycles?
SECTION C – K4 (CO3)	
Answer any TWO of the following in 100 words each. (2 x 10 = 20)	
9.	Analyse the major features of the foreign exchange markets. What makes this market unique compared to other financial markets?
10.	Examine the concept of Value at Risk (VaR), and how is it used to measure foreign exchange risk in financial institutions.
11.	Distinguish the difference between pre-shipment and post-shipment finance. How do these financing options help exporters manage their cash flow?
12.	Examine the following terms in detail A. Noting B. Protest C. Stamp Duty D. Hull insurance E. Cargo insurance
SECTION D – K5 (CO4)	
Answer any ONE of the following in 250 words (1 x 20 = 20)	
13.	Evaluate importance of various types of INCOTERMS in international trade.
14.	Criticise the impact of exchange risk on global business operations. How do firms manage transaction, translation, and economic risks associated with volatile exchange rates? Provide examples
SECTION E – K6 (CO5)	
Answer any ONE of the following in 250 words (1 x 20 = 20)	
15.	Estimate the importance marine insurance and types of marine losses in detail.
16.	Discuss the meaning and importance of following DOCUMENTS in international trade with examples a. Phyto-Sanitary Certificate b. Fumigation Certificate c. Packing List d. Certificate of Origin e. Proforma Invoice (4 marks each)
