

(FOR THE CANDIDATES ADMITTED

22PIB311

DURING THE ACADEMIC YEAR 2022 ONLY)

REG.NO. :

**N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI**  
**END-OF-SEMESTER EXAMINATIONS : NOVMEBER-2023**

**M.Com IB**  
**SEMESTER: III**

**MAXIMUM MARKS: 50**  
**TIME : 3 HOURS**

**PART - III**

**22PIB311 – FOREIGN EXCHANGE MANAGEMENT**

**SECTION – A**

**(10 X 1 = 10 MARKS)**

**ANSWER THE FOLLOWING QUESTIONS.(K1)**

1. A foreign currency account maintained by a bank abroad is its \_\_\_\_\_  
[A] nostro account [B] vostro account  
[C] loro account [D] Foreign bank account
2. An authorised person under FEMA does not include \_\_\_\_\_  
[A] an authorised dealer [B] an authorised money changer  
[C] an off-shore banking unit [D] an exchange broker
3. The term 'loro account' means \_\_\_\_\_  
[A] our account with you [B] your account with us  
[C] their account with them [D] Casual account with a bank
4. The market forces influencing the exchange rate are not fully operational under \_\_\_\_\_  
[A] floating exchange rate system [B] speculative attack on the market  
[C] fixed exchange rate system [D] current regulations of IMF
5. Arbitrageur in a foreign exchange market \_\_\_\_\_  
[A] buys when the currency is low and sells when it is high  
[B] buys and sells simultaneously the currency with a view to making riskless profit  
[C] sells the currency when he has a receivable in future  
[D] buys or sells to make advantage of market imperfections

**ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES**

**(K2)**

**(Qn. No. 6 - 10)**

6. What do you mean by direct quotation?
7. What is a future transaction?
8. What is the term 'risk' in business refer to?
9. Explain Interbank dealings.
10. What are cross rates?

**SECTION – B****( 5 X 3 = 15 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.(K3)**

11. a) Discuss the different types of exchange rates.  
(OR)  
b) Give an account of FEDAI.
12. a) Write a detailed note on purchase and sale transaction.  
(OR)  
b) What are future contracts? Explain with suitable examples.
13. a) Investigate about cross rate and its implications.  
(OR)  
b) Narrate Forward rates and its importance.
14. a) Present a detailed note on risk exposure.  
(OR)  
b) Differentiate between Transaction and Translation Exposure.
15. a) Who are arbitrageurs? Explain their role in foreign exchange market.  
(OR)  
b) Explain the characteristics of swap agreements. Explain currency swap in detail.

**SECTION – C****( 5 X 5 = 25 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.(K4 (Or) K5)**

16. a) Elaborate on the role of banks in foreign exchange.  
(OR)  
b) Describe the various foreign exchange accounts in detail.
17. a) Elucidate the features of forward exchange contracts.  
(OR)  
b) Explain the broad features of currency options market and also elucidate the various types of options and hedging in currency options market.
18. a) Describe how 'depreciation of currency' promotes exports of a country.  
(OR)  
b) Explain the concept of arbitrage. How is it different from speculation?
19. a) Elaborate on the various exchange rate risk management techniques.  
(OR)  
b) Differentiate between forward and future contracts.

**(CONTD .... 3)**

20. a) ABC Limited is a company engaged in the business of cement exports and it is also specialized in the area of Enterprise Resource Planning (ERP) implementation offering their services to domestic and overseas customers. Enforcement Directorate under Foreign Exchange Management Act (FEMA) carried out the investigation against the ABC Limited.

- i) The investigation also centered around the details of the Promoters and their shareholdings;
- ii) how many subsidiaries companies were formed by the appellants in India and abroad for doing business;
- iii) details of the share transactions between the promoters of the Company and Non-Resident Indian (NRI) and;
- iv) the details of loans raised by the ABC Limited for their business purpose etc.

The investigation carried out by Enforcement Directorate has clearly made out a case against ABC Limited of violation of Section 8 and Section 42 of Foreign Exchange Management Act as well as Foreign Exchange Management (Realization, Repatriation and Surrender of Foreign Exchange) Regulations, 2015. A complaint has been made by the Enforcement Directorate before Special Director. Special Director allowed the complaint and held that ABC Limited has contravened the provisions of FEMA as prayed in the complaint and accordingly imposed a penalty of Rs.5 crores on the Company. ABC Limited felt aggrieved by the aforementioned order of Special Director and contemplates to file an appeal.

As a Company Secretary of ABC Limited advise the company regarding: (a) Adjudication and Appeal under Foreign Exchange Management Act, 1999. (b) Duty of persons to realise foreign exchange due and Manner of Repatriation as well as Period for surrender of realised foreign exchange under Foreign Exchange Management (Realization, Repatriation and Surrender of Foreign Exchange) Regulations, 2015.

**(OR)**

b) A retail furniture store that had been entering to families with annual income from ` 18,000 to 24,000, experienced a decline in sales that resulted in operating losses. It consisted (a) Going into the interior decorating business so as to secure business from higher income group and/or (b) Adding a line of cheaper furniture that might be sold to people with lower incomes.

Questions

1. List the points you would consider before making a recommendation regarding such a change of policy.

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ETHICAL PAPER