



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2022

Course: Foreign Exchange Management and Trade Finance

Program: MBA –IB

Course Code: INTB 7008

Semester: II

Time : 03 hrs.

Max. Marks: 100

Instructions: This paper has three sections A, B and C. Please read the instructions in the respective sections.

SECTION A
10Qx2M=20Marks

| S. No. | | Marks | CO |
|--------|---|-------|-----|
| Q 1 | Attempt the following multiple choice questions: | | CO1 |
| 1 | The currency in circulation consists of paper notes but a fixed weight of gold remains the basis of money, is called : a. Gold Specie Standard b. Gold Bullion Standard c. Gold Exchange Standard d. Gold Standard | 02 | CO1 |
| 2 | Which of the following refers to floating exchange rate system: a. Currency prices are determined as per the demand and supply of the currency w/o government interventions. b. Currency prices are determined as per the demand and supply of the currency with government interventions. c. Currency prices are determined as per the demand and supply of the goods w/o government interventions. d. Currency prices are determined as per the demand and supply of the goods with government interventions. | 02 | CO1 |
| 3 | IMF classifies two pegging exchange rate system: Soft Pegs and Hard Pegs. Identify the definition of conventional fixed pegs from the following options: a. Currency fluctuates for at least two months within a band of less than 2 per cent or +/- 1 per cent against other currency or a basket of currency. b. Currency fluctuates for at least three months within a band of less than 2 per cent or +/- 1 per cent against other currency or a basket of currency. c. Currency fluctuates for at least one month within a band of less than 2 per cent or +/- 1 per cent against other currency or a basket of currency. | 02 | CO1 |

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|----|---|----|-----|
| | d. Currency fluctuates for at least three months within a band of more than 2 per cent or +/- 1 per cent against other currency or a basket of currency. | | |
| 4 | Which of the following is not a debit item of balance of trade: a. Imports b. Foreign aid c. Domestic spending abroad d. Foreign spending in the domestic economy | 02 | CO1 |
| 5 | If the five overseas banks (from US, Canada, Japan, Kuwait, UK) decide to open their respective banks' accounts with a bank in India say with Bank of Baroda, five different accounts will be opened in the India rupees. For BoB, these five accounts in India rupees, of the five overseas banks will be termed as(Vostro Account/Nostro Accounts) | 02 | CO1 |
| 6 | Which of the following is not the essential requirement of correspondent banking: a. Accept local deposits or provide loans (picked up from resident representatives) b. Test keys for codes and decoding c. Issuing and advising letter of credit d. OD facility in Nostro accounts for treasury operations. | 02 | CO1 |
| 7 | Which of the following can not be classified as post-shipment finance: a. Advances against exports on consignment basis b. Advances against deemed exports c. Advances against undrawn balances on exports d. Advances against cheques/demand drafts received as advance payment | 02 | CO1 |
| 8 | Which of the following is a characteristics of post-shipment finance: (choose more than one option) a. It is also a working capital finance b. It is an inventory based finance c. It is a receivable finance d. It can be allowed as purchase/discount/negotiation of export bills | 02 | CO1 |
| 9 | In case of deemed exports, the finance is extended : a. To the supplier of goods b. To the person who has actually shipped the goods c. To the exporter in whose name the export documents are transferred. d. All of the above | 02 | CO1 |
| 10 | Identify the losers in case of depreciation of the currency: (Choose more than one option) a. Exporters b. Consumers who buy imported goods c. Domestic tourist industry d. Firms who buy imported raw materials | 02 | CO1 |

| SECTION B 4Qx5M= 20 Marks | | | | | | | | | | | |
|---|---|-----------|-------------------|-----------------|---------------|------------------|-----------------|------------------|----------------|-----------|------------|
| Q | Attempt the following questions: | | CO2 | | | | | | | | |
| 1. | What do we mean by cross rates? Explain with the help of an example. | 05 | CO2 | | | | | | | | |
| 2. | How does Self-fulfilling prophecies affect the traders' decision and how does it affect the currency? | 05 | CO2 | | | | | | | | |
| 3. | "BOP measures economic and financial status of a country." discuss the importance of BOP in the light of the given statement. | 05 | CO2 | | | | | | | | |
| 4. | Write short note on Buyer's Credit. | 05 | CO2 | | | | | | | | |
| SECTION-C 3Qx10M=30 Marks | | | | | | | | | | | |
| Q | Attempt the following questions: | | CO3 | | | | | | | | |
| 1 | Discuss the role of the Reserve Bank of India in the foreign exchange market in India. Would you advocate the direct operation in the exchange market by the central banking authority? | 10 | CO3 | | | | | | | | |
| 2. | "If a transaction earns foreign currency for the nation, it is a credit and is recorded as a plus item." Share your understanding in terms of general rule of BOP accounting, its components and Current and capital account convertibility. | 10 | CO3 | | | | | | | | |
| 3. | List at least ten discrepancies which are commonly found in shipping documents covering exports. | 10 | CO3 | | | | | | | | |
| SECTION-D 2Qx15M= 30 Marks | | | | | | | | | | | |
| Q | Attempt the following questions: | | CO | | | | | | | | |
| 1 | Bombay on London is quoted as under: <table border="1" style="margin-left: 40px;"> <tr> <td>Spot</td> <td>£ 5.2530 – 5.2575</td> </tr> <tr> <td>1 month forward</td> <td>2.0 – 2.5 dis</td> </tr> <tr> <td>2 months forward</td> <td>2.25 – 2.75 dis</td> </tr> <tr> <td>3 months forward</td> <td>2.75 – 3.25 pm</td> </tr> </table> Calculate 1 month, 2 months and 3 months forward rates. | Spot | £ 5.2530 – 5.2575 | 1 month forward | 2.0 – 2.5 dis | 2 months forward | 2.25 – 2.75 dis | 3 months forward | 2.75 – 3.25 pm | 10 | CO3 |
| Spot | £ 5.2530 – 5.2575 | | | | | | | | | | |
| 1 month forward | 2.0 – 2.5 dis | | | | | | | | | | |
| 2 months forward | 2.25 – 2.75 dis | | | | | | | | | | |
| 3 months forward | 2.75 – 3.25 pm | | | | | | | | | | |
| 2 | The Punjab National Bank scam relates to fraudulent letter of undertaking worth Rs 10,000 crore issued by the bank. The key accused in the case were jewellery and designer Nirav Modi, his maternal uncle Mehul Choksi, and other relatives and some PNB employees. Nirav Modi and his relatives escaped India in early 2018, days before the news of the scam became public. PNB scam has been dubbed as the biggest fraud in India's banking history. Discuss the PNB Scam with the help of the pictorial diagram and share your understanding on interface of trade finance in this case. And also explain the fall out of this case in the form of RBI notifications and how does it make the trade financing more secured. | 20 | CO4 | | | | | | | | |