

QP CODE 2085518204

Reg. No

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|



DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – DECEMBER 2024

Semester: VIII

551CO82 FOREIGN EXCHANGE MANAGEMENT

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) Explain the frameworks through which a country's currency value is determined relative to other currencies. **(8 Marks)**
b) Explain the functions of a foreign exchange market. **(6 Marks)**
c) List the advantages and disadvantages of floating exchange rate. **(6 Marks)**
2. a) Explain the reasons and impacts of financial fragility in Zambian context. **(12 Marks)**
b) Write short notes on the contributing factors of systematic risk. **(8 Marks)**
3. a) Elucidate the participants in futures financial markets. **(9 Marks)**
b) With an example, explain how hedging with futures works. **(9 Marks)**
c) What is meant by arbitrage? **(2 Marks)**
4. a) Elaborate on the developments that have taken place in the swaps market globally over the last couple of years. **(10 Marks)**
b) Explain the characteristics and uses of interest rate swaps. **(10 Marks)**
5. a) What is meant by exchange rate risk? Explain any 3 types of exchange rate risk. **(10 Marks)**
b) Explain factors Influencing Political Risk in a country. **(10 Marks)**
6. a) Define a foreign exchange market. **(2 Marks)**
b) Elucidate 4 types of transactions undertaken in the foreign exchange market. **(12 Marks)**

- c) Briefly explain the factors that influence a country's choice of exchange rate regime.
(6 Marks)
- 7. a) Explain the key differences between interest rate swaps and currency swaps. **(10 Marks)**
- b) Write short notes on the 3 different types of currency swaps. **(10 Marks)**