



Register Number:

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ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27

M.COM - III SEMESTER

SEMESTER EXAMINATION: NOVEMBER 2020

MCODEF9418- RISK MANAGEMENT & FOREX MANAGEMENT

Time- 2 1/2 hrs

Max Marks-70

This paper contains ~~TWO~~ printed pages and four parts

SECTION-A

Answer any TEN of the following questions.

(10x2=20)

- 1) Differentiate between systematic and unsystematic risk.
- 2) In April 2000, one U.S. dollar traded on the foreign exchange market for about 44 Indian rupees. What would have one Indian rupee purchased for?
- 3) Define Risk Management.
- 4) If the Japanese yen appreciates from one cent to two cents per yen, the dollar depreciates from \_\_\_\_\_ to \_\_\_\_\_ yen per dollar.
  - (a) 100; 50
  - (b) 10; 5
  - (c) 5; 10
  - (d) 50; 100
- 5) What is LIBOR?
- 6) What is Hazard Risk?
- 7) Differentiate between Floors and Caps.
- 8) Expand CAMPARI & ICE.
- 9) What is a forward Rate Agreement?
- 10) a) The theory of PPP suggests that if one country's price level rises relative to another's, its currency should
  - (a) Depreciate.
  - (b) Appreciate.
  - (c) Float.
  - (d) None of the above.

b) Increased demand for a country's \_\_\_\_\_ causes its currency to appreciate in the long run, while increased demand for \_\_\_\_\_ causes its currency to depreciate.

  - (a) imports; imports
  - (b) imports; exports
  - (c) exports; imports
  - (d) exports; exports

- 11) State any four technical analysis tools.
- 12) State the official currency of the following countries:
- a) Japan
  - b) Switzerland
  - c) South Africa
  - d) China

**SECTION- B**

Answer any THREE of the following questions. Each (3x5=15)

- 13) Explain the 5 C's of Credit Risk.
- 14) Differentiate between Risk & Uncertainty.
- 15) Discuss the important players in the Foreign Exchange Markets.
- 16) Explain the usefulness of Interest rate Collar.
- 17) Write a short note on Transaction, Translation and Economic Exposure.

Answer any TWO of the following questions. (2x10=20)

- 18) What is Altman Z Score Model? Explain its purpose and significance in Credit analysis.
- 19) What is an Interest rate swap? Explain the concept with a suitable example.
- 20) Explain the Purchasing power parity theory and BOP theory with its merits & criticism.

**SECTION -D**

Answer the following compulsory question. (1x15=15)

- 21) Foreign Exchange rate is one of the most important means through which a country's relative level of economic health is determined. A country's foreign exchange rate provides a window to its economic stability, which is why it is constantly watched and analyzed. If you are thinking of sending or receiving money from overseas, you need to keep a keen eye on the currency exchange rates.

The exchange rate is defined as "the rate at which one country's currency may be converted into another." It may fluctuate daily with the changing market forces of supply and demand of currencies from one country to another. For these reasons; when sending or receiving money internationally, it is important to understand what determines exchange rates.

In this context explain the various factors which determine the foreign exchange rate in India.