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Register Number:

DATE:12-03-2022

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

**M.Com – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

(Examination conducted in March 2022**)**

MCO DEF 9420 - Risk Management and Forex Management

Time- 2 ½ hrs Max Marks-70

**This paper contains two printed pages and four parts**

**Section A**

**I.** Answer ***any Ten*** of the following (**2 x 10 = 20 marks)**

1. Differentiate between systematic risk & unsystematic Risk
2. What is Credit Risk?
3. What is Forex Spread?
4. What is Hedging?
5. Differentiate between Risk and Uncertainty.
6. State any four Currency pair.
7. What is a Collar in hedging?
8. What is Cross Rate?
9. What is Arbitrage?
10. State the participants in the Forex market.
11. Suppose the exchange rate between USD and Swiss franc is SFr 1.6 = $1 and the exchange rate between the dollar and the British pound is 1 pound = $1.50. What is the cross rate between francs and pounds?
12. What does operational risk management do?

**Section B**

**II.** Answer ***any three*** of the following (**5 x 3 = 15 marks)**

1. Explain the different approaches to Credit Evaluation Process.
2. Discuss the types of Foreign Exchange exposure.
3. Explain spot exchange rates and forward exchange rates.
4. Write a short note on Interest rate Caps and Floors.
5. Discuss the various factors determining the foreign exchange rates.

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. What is Exchange Rate? Explain any three theories of Exchange rate Determination.
2. Differentiate between forwards and futures.
3. What is meant by country Risk and explain the different type of risk that needs to considered while investing in foreign country?

**Section D**

**III. Answer the following (15 marks)**

1. Benny is the CFO of a private company which manufactures custom car parts. The company, which started as a local car shop, has evolved into a regional product provider. Benny has been part of the team since he gained his CPA license and has helped the company manage the success it acquired.

With the recent credit market situation, Benny wants to make sure his company will be able to meet the financial obligations it has committed to. Benny decides to calculate for the Altman Z Score; manufacturing has been hit hard enough that he feels he has to. With this decision, he begins assembling company financial reports to find the factors of the Altman Z Score equation as they relate to his company.

If:

Working Capital = $5,000,000

Retained Earnings = $1,000,000

Operating Income = $10,000,000

Value of Equity = $2,000,000

Book Value of Total Liabilities = $500,000

Sales = $15,000,000

Total Assets = $3,000,000.

**Calculate & Interpret the Altman Z score.**

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