

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MCom (IB) DEGREE EXAMINATION MAY 2025  
(Fourth Semester)

Branch - INTERNATIONAL BUSINESS

**FOREIGN EXCHANGE AND RISK MANAGEMENT IN INTERNATIONAL BUSINESS**

Time: Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1.	What does the term 'Nostro account' refer to in banking? a) An account maintained by a bank in its own country in local currency b) An account maintained by a bank in a foreign country in the currency of that country c) An account used for internal bank operations d) A special purpose account for high-net-worth individuals	K1	CO1
	2	Under FEMA, who is authorized to deal in foreign exchange or foreign securities? a) Any individual with a bank account b) All public sector banks by default c) All private banks by default d) Only entities authorized by the Reserve Bank of India (RBI)	K2	CO1
2	3	What is crypto currency? a) A type of physical currency issued by central banks b) A form of electronic cash issued by governments c) A digital or virtual currency that uses cryptography for security d) A prepaid card used for online transactions	K1	CO2
	4	What is the primary purpose of a forward exchange contract? a) To facilitate high-frequency currency trading b) To enable speculative profit-making in currency markets c) To hedge against currency exchange rate fluctuations in the future d) To avoid compliance with foreign exchange regulations	K2	CO2
3	5	What is the primary function of the call money market? a) To facilitate long-term loans for businesses b) To provide loans to individuals for personal needs c) To provide short-term funds to banks and financial institutions to maintain liquidity d) To trade in foreign exchange for investment purposes	K1	CO3
	6	Why do parallel markets typically emerge? a) To reduce market competition b) Due to over-regulation and restrictions in the official market c) To provide exclusive trading opportunities for high-net-worth individuals d) Because of advancements in block chain technology	K2	CO3
4	7	What is the primary objective of risk management? a) To eliminate all potential risks b) To identify, assess and mitigate risks to achieve organizational goals c) To ensure compliance with tax regulations d) To maximize short-term profits	K1	CO4
	8	What is an interest rate swap? a) A transaction where two parties exchange currencies at a fixed rate b) A derivative used to trade stocks and bonds between two entities c) A financial contract where two parties exchange interest payment obligations based on different interest rate structures d) A loan agreement between two banks for a fixed tenure	K2	CO4

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5	9	Which sector does ECGC primarily support? a) Domestic manufacturing industries b) Export-oriented businesses c) Real estate and infrastructure projects d) Import-based trading companies	K1	CO5
	10	What does air insurance typically cover? a) Only damage to cargo during transport b) Risks associated with air travel for passengers c) Damage to aircraft, passengers and cargo during air travel d) Property damage on the ground near airports	K2	CO5

**SECTION - B (35 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Discover a Vostro account and how does it function in banking?	K4	CO3
		(OR)		
	11.b.	Analyze the impact of globalization on the global environment.		
2	12.a.	Explain the concept of a spot market and how transactions are conducted.	K5	CO2
		(OR)		
	12.b.	Evaluate the impact of arbitrage on currency exchange rates.		
3	13.a.	Examine the concept of a reverse repurchase agreement and its purpose.	K4	CO3
		(OR)		
	13.b.	Dissect the role of the interbank market in the global financial system.		
4	14.a.	Interpret the key steps in the risk management process.	K5	CO4
		(OR)		
	14.b.	Disprove economic exposure and its impact on a business.		
5	15.a.	Elaborate the purpose of a Packing Credit Guarantee in international trade.	K6	CO5
		(OR)		
	15.b.	Construct a Post Shipment Guarantee and its role in international trade.		

**SECTION - C (30 Marks)**

Answer ANY THREE questions

ALL questions carry EQUAL Marks (3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Examine FEMA and its purpose in India.	K4	CO3
2	17	Explain the difference between the buying rate and the selling rate in foreign exchange.	K5	CO2
3	18	Distinguish between the Discount Market and the Interbank Market in terms of participants and transactions.	K4	CO3
4	19	Evaluate the effectiveness of risk transfer through insurance in mitigating business risks.	K5	CO4
5	20	Elaborate the different types of marine insurance policies available to exporters and importers.	K6	CO5