TOTAL PAGES: 2

24BSB633N

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BVoc DEGREE EXAMINATION MAY 2026
(Sixth Semester)

Branch – **BANKING, STOCK AND INSURANCE**

RISK MANAGEMENT

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	Which of the following best defines 'Risk' in the context of Risk Management? (i) Certainty of loss in a financial transaction (ii) The possibility of an unexpected outcome (iii) A guaranteed profit in investment activities (iv) The process of identifying organizational goals	K1	CO1
	2	In the Risk Management Process, which step comes immediately after Risk Identification? (i) Risk Control (ii) Risk Measurement (iii) Risk Pricing (iv) Risk Monitoring	K2	CO1
2	3	Which type of risk refers to the possibility that a borrower will fail to repay a loan? (i) Market Risk (ii) Liquidity Risk (iii) Credit Risk (iv) Operational Risk	K1	CO2
	4	How does Assets and Liabilities Management (ALM) help banks in managing risk? (i) It focuses only on maximizing loan disbursements (ii) It matches assets and liabilities to reduce interest rate and liquidity risks (iii) It eliminates the need for RBI supervision (iv) It replaces credit risk with operational risk	K2	CO2
3	5	What are 'Risk Weighted Assets' (RWA) used for in banking? (i) To calculate the bank's market share (ii) To determine the minimum capital a bank must hold based on risk exposure (iii) To measure the bank's total deposit base (iv) To assess the profitability of the bank's loan portfolio	K1	CO3
	6	How does measurement of Interest Rate Risk contribute to Assets Liability Management (ALM)? (i) It helps banks understand the impact of interest rate changes on net interest income and economic value (ii) It eliminates the possibility of credit default (iii) It determines the bank's equity capital requirements (iv) It measures the bank's profitability from foreign exchange transactions	K2	CO3
4	7	What does 'Value at Risk (VaR)' measure in risk management? (i) The maximum profit a bank can earn in a given period (ii) The potential loss in value of an asset or portfolio over a defined period for a given confidence interval (iii) The total value of assets owned by a bank (iv) The interest rate charged on high-risk loans	K1	CO4
	8	How do 'Risk Maps' assist banks in their risk management process? (i) They provide geographical data on bank branch locations (ii)They visually represent the likelihood and impact of identified risks, enabling prioritization (iii) They track daily stock market movements for investment decisions (iv) They replace the need for RMIS in large banks	K2	CO4
5	9	Which of the following best describes 'Risk Avoidance' as a risk management tool? (i) Accepting the risk and setting aside funds to cover potential losses (ii) Transferring the risk to another party through a contract (iii) Choosing not to engage in activities that expose one to risk (iv) Reducing the frequency or severity of potential losses	K1	CO5

Cont...

	10	How does 'Enterprise Risk Management (ERM)' differ from traditional risk management in insurance? (i) ERM focuses only on financial risks, while traditional methods cover all risk categories (ii) ERM takes a holistic, organization-wide approach integrating all risk categories, while traditional methods address risks individually (iii) ERM is applicable only to government-owned insurance companies (iv) ERM replaces all forms of insurance coverage with internal reserves	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.	Outline the objectives of Risk Management in an organization.	K2	CO1
		(OR)		
	11.b.	Explain the Risk Management Process with its various stages. How does each stage contribute to effective risk control?		
2	12.a.	Summarize the different types of risks faced by banks.	K2	CO2
		(OR)		
	12.b.	Explain Prompt Corrective Action (PCA). Why does the RBI use PCA as a supervisory tool?		
3	13.a.	Analyse the differences between Credit Risk, Market Risk, and Operational Risk in the context of a bank. Which risk is most difficult to manage and why?	K4	CO3
		(OR)		
	13.b.	List the Three Pillars of Basel II.		
4	14.a.	Evaluate the Role of Long Position and Short Position in the Futures and Options.	K5	CO4
		(OR)		
	14.b.	Explain Risk Management Information System.		
5	15.a.	Distinguish Risk Avoidence and Risk Reduction.	K4	CO5
		(OR)		
	15.b.	Examine the Concept of Loss Control as a Risk Management tool in Insurance.		

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	Explain the Risk Management Process in an Organization.	K2	CO1
2	17	Examine Credit Risk and Interest rate risk and discuss the measures adopted to mitigate these risks.	K4	CO2
3	18	Critically analyse the key reforms introduced by Basel III Over Basel II. why were these reforms necessary after the 2008 Global financial Crisis?	K4	CO3
4	19	Explain the different derivative tool to hedge the risk.	K5	CO4
5	20	Explain the Concept of ERM and Examine the Components of ERM Framework.	K5	CO5

Z-Z-Z END