20MIB08A

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom(IB) DEGREE EXAMINATION MAY 2022
(Second Semester)

Branch – **INTERNATIONAL BUSINESS**

DISCIPLINE SPECIFIC ELECTIVE – I
FOREIGN EXCHANGE & RISK MANAGEMENT IN INTERNATIONAL BUSINESS

Time: Three Hours | Maximum: 50 Marks

SECTION-A (5 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1. The price of one currency in terms of another is known as ________
   (a) Foreign exchange rate (b) Trade rate
   (c) Interest rate (d) Balance of Payment

2. The operation of future delivery in the foreign exchange market is known as ________
   (a) Spot market (b) Current market
   (c) Forward market (d) Domestic market

3. Transaction exposure can be hedged ________
   a) By internal methods only b) By external methods only
   c) Either by internal methods or external methods, but not by both
   d) Either by internal methods or external methods or combination of both

4. ECGC Ltd was set up in the year ________
   a) 1957 b) 1958
   c) 1959 d)1956

5. Foreign currency exposure can be avoided by
   a) entering into forward contracts
   b) denominating the transaction in domestic currency
   c) exposure netting
   d) maintaining foreign currency account

SECTION - B (15 Marks)

Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6 a Describe about the features of Exchange Market.

OR

b Bring out the vostro account transaction.

7 a How the Exchange Margin is fixed ?

OR

b Summarize about the Spot Transactions.

8 a Sketch about the Foreign exchange risk.

OR

b Discuss the types of Risk.

9 a Explain about the role of ECGC.

Cont...

OR

b Organise the principles of Aviation Insurance.

10 a State the difference between Exposure and Risk.

OR

b Bring out the meaning of Exposure Netting.

SECTION -C (30 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** Marks (5 x 6 = 30)

11 a Enumerate about the various Foreign Currency Accounts.

OR

b Determine about the types of quotation with suitable examples.

12 a Your Customer requested you to issue a demand draft on New York for USD 25,000
Assuming the ongoing spot rates in the local market for US dollar are as under :

Spot	USD 1 = Rs.49.3575/3825
1 month forward	Rs. 49.7825/8250

You require an exchange margin of 0.15%
What rate will you quote to your customer and what is the rupee amount payable by the customer ?

OR

b Analyse about the types of buying rates of exchange and discuss with illustration.

13 a Justify the need of Risk Information System.

OR

b Categorize about the Corporate Risk Management Models.

14 a Examine about the various credit Policies offered by ECGC.

OR

b Outline the highlights of Marine Insurances.

15 a Discuss about the Foreign Exchange Exposures.

OR

b Identify the Various Risk Financing Techniques.

Z-Z-Z END