20MIB08A

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

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

Branch – **INTERNATIONAL BUSINESS**

DISCIPLINE SPECIFIC ELECTIVE – I: FOREIGN EXCHANGE & RISK MANAGEMENT IN INTERMATIONAL 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 statutory basis for administration of foreign exchange in India is
   (i) FERA 1973 (ii) COFEPOSA 1974
   (iii) FERA 1999 (iv) Exchange control manual

2. Forward margin as
   (i) The profit on forward contract
   (ii) Commission payable to exchange brokers
   (iii) Difference between the spot rate and forward rate
   (iv) None of the above

3. Derivatives can be used an exporter for managing
   (i) Currency risk (ii) Cargo risk
   (iii) Credit risk (iv) All the above

4. The ECGC of India Ltd is based in
   (i) Gurgaon (ii) Mumbai
   (iii) Hyderabad (iv) Pune

5. Risk retention is not a good idea if
   (i) The risk is unimportant
   (ii) Identification of risk is not possible
   (iii) The frequency is so low it almost will never happen
   (iv) The exposure is potentially catastrophic

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

6 a Explain the meaning of Foreign Exchange.
OR
b Describe the need for EEFC account.

7 a Analyse the term "Forward Margin".
OR
b Discuss on Option forward contract.

8 a Evaluate the types of risks.
OR
b Evaluate 'Risk Management Information System'.

Cont...

9 a Discuss the "Perils of Sea".

OR

b State the need for Aviation insurance.

10 a Explain the concept of Risk Transfer Mechanism.

OR

b Analyse the Interest rate swap and its need.

SECTION -C (30 Marks)

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

11 a Critically analyse the different kinds of foreign currency accounts.

OR

b Evaluate the spot and forward transactions in forex market.

12 a An export customer requires bank on 15th July to book a foreign exchange contract delivery September covering 30 days sight bill on New York under irrevocable L/C for USD 65,000.

Spot	USD 1= Rs.79.5675/5750
Spot/July	800/900
Spot/August	1700/1800
Spot/September	2250/2325
Spot/October	3200/3300
Spot/November	4100/4200
Spot/December	5150/5250

What rate will the bank quote to its customer bearing in mind the following factors.

1) Exchange margin 0.10%.
2) Transaction period 25 days.

OR

b A customer request State Bank of India to issue a demand draft on New York for USD 25,000. Assuming ongoing spot rates in the local market for US Dollar are as under.

Spot	USD 1= Rs.79.3575/3825
1 month forward	Rs.79.7825/8250

The bank requires exchange margin of 0.15%. What rate will be quoted to the customer and what is the rupee amount payable to him?

13 a Elucidate on corporate risk management models.

OR

b Criticize the Enterprise Risk Management and its uses.

14 a Assess the different policies of ECGC offered to exporter and Importers.

OR

b Enumerate the marine insurance policies and its needs.

15 a Appraise the types of Risk financing techniques.

OR

b Classify the different kinds of Risk exposures.

Z-Z-Z END