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Code No. : 9064

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MASTER OF BUSINESS ADMINISTRATION (CBCS)
DEGREE EXAMINATION, APRIL 2017.

Fourth Semester

Elective — TREASURY AND RISK MANAGEMENT

(For those who joined in July 2012 – 2015)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. In the BOP any transaction resulting in a payment from foreigners recorded as a
(a) Debit
(b) Credit
(c) Capital asset
(d) Capital account.

2. Encompasses the conversion of purchasing power from one country to another is called
(a) Domestic market
(b) Foreign exchange market
(c) BSE
(d) NSE.
3. _____ State that the exchange rate between two countries currencies should be equal to the ratio of their price level
(a) Interest rate purchase power parity
(b) Interest power parity
(c) Seller power parity
(d) Purchase power parity.
4. _____ is a price representative of futures transaction price at the close of daily trading on the exchange
(a) Settlement price
(b) Market price
(c) Trading
(d) Exchange price.
5. The option holder has both the right to buy and sell an asset at a pre determined price
(a) Call option (b) Put option
(c) Double option (d) Single option.



6. _____ deals with trading in all domestic commodities future markets
- Future market
 - Commodity market
 - Domestic market
 - Commodity futures.
7. Transaction that are carried out between buyers and sellers are their agents for immediate delivery and settlement are defined as
- Retail Transaction
 - Exchange traded Transaction
 - Spot Transaction
 - Transaction derivative.
8. Commodity price risk comes about due to
- Poor business plan
 - Intense competition
 - Outdated product
 - Volatile commodity prices.
9. Bond that is sold in a foreign country and is denominated in that country's currency are called as
- Foreign bond
 - Euro bonds
 - Euro currencies
 - Euro dollars.

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10. The largest purchasers of capital market securities are
- Households
 - Corporate
 - Governments
 - None of the above.

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain how to compute the overall balance and discuss its significance.

Or

- (b) List the advantages of the flexible exchange rate regime.

12. (a) Discuss the procedure for managing foreign exchange risk.

Or

- (b) Explain risk speculation market efficiency.

13. (a) Explain the components of derivatives.

Or

- (b) Describe the importance of futures and Differentiate forward from futures.

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14. (a) What is the risk faced by sellers of commodities in physical markets?

Or

- (b) What are commodity exchanges? Write suitable examples.
15. (a) Enlist the function of the capital market.

Or

- (b) List out the factors influencing international investment.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Describe the balance of payment and discuss its implications under the fixed and flexible exchange rate regimes.

Or

- (b) What are the components of foreign exchange markets? Explain.

17. (a) Explain the following three concepts of purchasing power parity
- (i) The law of one price
 - (ii) Absolute purchasing power parity
 - (iii) Relative purchasing power parity.

Or

- (b) Describe the types of exposure.

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18. (a) What is option trading and explain the benefits with example.

Or

- (b) Explain the present position of derivative market in India.

19. (a) Explain the evolution of derivatives management.

Or

- (b) Describe the role of exchanges in derivatives management.

20. (a) What are the inhibiting factors for the growth of foreign direct investment in India?

Or

- (b) What is the purpose of the capital markets? How do capital markets securities differ from money market securities in their general characteristics?

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