

**TILAK MAHARASHTRA VIDYAPEETH, PUNE**  
**MASTER OF BUSINESS ADMINISTRATION (M.B.A.)**  
**EXAMINATION: MAY/JUNE - 2024**  
**SEMESTER - III**  
**Sub.: Risk Management (MFM306)**

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**Date : 05/06/2024**

**Total Marks : 60**

**Time: 10.00am to 12.30pm**

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- Instructions:** 1) All questions are compulsory.  
2) Figures to the right indicate full marks.
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**Q. 1. Write Short notes on (Any Three) (15)**

1. Principles of Risk Management
2. Factors that impact financial rates and price
3. Volatility Measurement
4. Basel Committee Norms for banking
5. Risk management structure in a bank

**Q. 2. Answer in detail (Any One) (10)**

1. How does risk differ from uncertainty? Provide examples to illustrate your answer.
2. What is financial risk management, and why is it important for organizations?

**Q. 3. Answer in detail (Any One) (10)**

1. How do fluctuations in foreign exchange rates impact the risk exposure of multinational corporations?
2. Define Value-at-Risk (VaR) and its importance in risk management.

**Q. 4. Answer in detail (Any One) (10)**

1. Discuss the role of insurance in mitigating operational and other non-financial risks for banks.
2. How do insurers develop and implement investment risk management policies to achieve their investment objectives?

**Q. 5. Case study (15)**

ABC Corporation, a multinational manufacturing company based in the United States, specializes in producing automotive components. With operations spanning across several countries, ABC Corporation engages in international trade to procure raw materials and sell finished products. However, the company faces challenges related to credit risk and currency risk in its global business operations.

ABC Corporation extends credit terms to its customers, allowing them to pay for goods after delivery. However, this exposes the company to credit risk, as customers may default on payments, leading to financial losses. Recently, ABC Corporation experienced significant delays in receiving payments from a key client in Europe, resulting in cash flow disruptions and operational challenges.

As ABC Corporation conducts business transactions in multiple currencies, it is exposed to currency risk due to fluctuations in exchange rates. For instance, when the US dollar strengthens against the euro, the company's revenues from European sales decrease when converted into dollars. Conversely, a weakening dollar increases the cost of imported raw materials, impacting profitability.

### **Questions**

- 1) What is credit risk, and why is it important for companies engaged in international trade like ABC Corporation?
  - 2) How do fluctuations in exchange rates affect ABC Corporation's revenues and expenses in different currencies?
  - 3) What are the potential benefits of adopting a holistic approach to managing credit and currency risks for ABC Corporation?
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