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**GANDHI INSTITUTE OF ENGINEERING AND TECHNOLOGY,
ODISHA, GUNUPUR
(GIET UNIVERSITY)**

B. B. A (Fifth Semester) Examinations, November-2024

21BBAFN35006 – Financial Risk Management

Time: 3 hrs

Maximum: 60 Marks

(The figures in the right hand margin indicate marks.)

PART – A**(2 x 10 = 20 Marks)**Q.1. Answer **ALL** questions

	CO #	Blooms Level
a. Define risk in the context of financial management.	CO1	K1
b. Explain the difference between risk and uncertainty with an example.	CO1	K2
c. What is Asset-Liability Management (ALM), and why is it significant?	CO2	K1
d. Identify and categorize different types of financial risks businesses face.	CO2	K1
e. Explain the role of hedging in financial risk management.	CO3	K2
f. Differentiate between risk avoidance and risk reduction.	CO3	K1
g. Define credit risk and its impact on financial institutions.	CO4	K1
h. How does foreign exchange risk affect multinational companies?	CO4	K1
i. Briefly describe the importance of Risk Management Information Systems (RMIS).	CO5	K2
j. What is the significance of liquidity risk in financial institutions?	CO5	K1

PART – B**(8 x 5 = 40 Marks)**Answer **ALL** the questions

	Marks	CO #	Blooms Level
2. a. Discuss the various types of financial risks faced by businesses and provide examples for each type.	8	CO1	K2
(OR)			
b. Explain the steps involved in the risk management process and apply them to a hypothetical business scenario.	8	CO2	K6
3.a. Analyze the role of Enterprise Risk Management (ERM) in organizations and the key components of an ERM framework.	8	CO3	K4
(OR)			
b. Evaluate the significance of interest rate risk in financial institutions and discuss methods to manage this risk.	8	CO2	K5
4.a. Explain the concept of foreign exchange risk and discuss strategies to mitigate its impact on multinational businesses.	8	CO3	K2
(OR)			
b. Describe credit risk management and the tools financial institutions use to mitigate credit risk.	8	CO4	K2
5.a. Differentiate between market risk management and operational risk management, explaining their roles within an enterprise risk management framework.	8	CO4	K3

(OR)

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| b. | What is project risk management? Discuss the steps involved and its importance in decision-making for financial projects. | 8 | CO5 | K4 |
| 6.a. | Explain how a risk management plan can be developed for a business, including elements like risk identification, analysis, and response planning. | 8 | CO4 | K2 |

(OR)

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| 6.b. | Case Study: Managing Foreign Exchange Risk for GlobalTech Ltd. | 8 | CO5 | K6 |
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Background: GlobalTech Ltd., a multinational corporation based in the USA, specializes in manufacturing electronic devices and has customers worldwide. A significant portion of its revenue comes from Europe, where sales are made in euros (EUR). With recent fluctuations in the EUR/USD exchange rate, GlobalTech has experienced volatility in its profits, as a stronger dollar means that the euro-denominated revenue translates to fewer US dollars. Additionally, the company imports some components from Japan, which are purchased in Japanese yen (JPY), adding another layer of currency exposure.

Questions:

1. Identify and explain the types of financial risks GlobalTech Ltd. is exposed to due to its international operations.
2. Discuss at least two strategies GlobalTech Ltd. could use to manage foreign exchange risk related to its euro-denominated revenue.
3. Explain the concept of forwards and options in currency risk management and how GlobalTech might use these tools to mitigate its risk.
4. If GlobalTech decides to use currency swaps as a hedging tool, describe how it would work and the benefits of using this approach.
5. Discuss the impact of foreign exchange risk on the financial performance and decision-making of multinational companies like GlobalTech Ltd.

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