(6 pages)

Reg. No. : ....

Code No. : 21208 E **Sub. Code : EEBF 6 A**

B.Com. (CBCS) DEGREE EXAMINATION, APRIL 2026.

Sixth Semester

Banking and Finance

Elective — FINANCIAL RISK MANAGEMENT

(For those who joined in July 2023 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. A firm facing fluctuating interest rates is exposed to ______

   (a) Credit Risk

   (b) Legal Risk

   (c) Operational Risk

   (d) Market Risk

2. Inflation mainly impacts ________.

   (a) Political Environment

   (b) Legal Environment

   (c) Economic Environment

   (d) Technological Environment

3. Which risk is NOT covered under Basel norms?

   (a) Credit Risk (b) Market Risk

   (c) Operational Risk (d) Political Risk

4. Capital conservation buffer is intended to ________

   (a) Improve customer satisfaction

   (b) Reduce taxes

   (c) Absorb losses during stress periods

   (d) Increase lending

5. Which of the following is NOT an operational risk event type?

   (a) Internal fraud

   (b) External fraud

   (c) Market volatility

   (d) Business disruption

6. Remediation means

(a) Risk creation

(b) Corrective actions to fix issues

(c) Reporting losses

(d) Measuring risk

7. Which ratio is commonly used to measure liquidity?

(a) Debt-equity ratio

(b) Return on equity

(c) P/E ratio

(d) Current ratio

8. Which maturity bucket is most critical in liquidity analysis?

(a) Short term (b) Medium term

(c) Longterm (d) All equally

9. Which of the following is NOT a function of the Risk committee?

(a) Executing trades

(b) Risk policy formulation

(c) Monitoring risk exposure

(d) Reporting to board

10. FAS 133 relates to ________,

(a) Inventory

(b) Derivatives and hedging

(c) Taxation

(d) Cash flow

PART B — (5 × 5 = 25 marks)

Answer ALL questions, by choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) What is Liquidity Risk? Why is it critical?

Or

(b) Explain Technological Risk in modern business.

12. (a) State any two functions of BIS.

Or

(b) State any two objectives of Basel norms.

13. (a) Explain credit scoring models.

Or

(b) What do you mean by credit risk mitigation?

14. (a) What are expected future finding requirements?

Or

(b) What is stress testing in liquidity management?

15. (a) Explain how Enterprise-wide Risk Management (ERM) integrates with corporate strategy.

Or

(b) How does risk-based internal audit differ from traditional internal audit?

PART C — (5 × 8 = 40 marks)

Answer ALL questions, by choosing either (a) or (b).
Each answer should not exceed 600 words.

16. (a) Discuss the impact of natural disasters on business operations.

Or

(b) Explain how competitive environment increases business risk.

17. (a) Discuss the international supervisory standards developed by Basel committee on banking supervision.

Or

(b) Discuss the challenges faced by developing countries in implementing Basel III norms.

18. (a) Explain the key components of credit risk in detail.

Or

(b) Discuss the tools of credit risk management.

19. (a) Describe the importance of stress management in liquidity risk management.

Or

(b) Explain the identification and measurement of liquidity risk in financial institutions.

20. (a) Discuss the significance of FAS 138 in improving hedge accounting.

Or

(b) Elucidate the challenges of a risk management committee in financial institutions.
