

Code No: MB1348/R13**MBA IV Semester Regular/ Supplementary Examinations, April-2017****FINANCIAL RISK MANAGEMENT****Time: 3 Hours****Max.Marks: 60**

*Answer Any FIVE Questions
All Questions Carry Equal Marks
Question No. 8 is Compulsory*

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| 1. a | What is risk? What is the need for risk management in an Organisation? | 6 |
| b | What is the difference between technology and operational risk? | 6 |
| 2. a | What is value at risk (VaR)? Explain the computation of back testing? | 6 |
| b | Why does a bank become economically insolvent, if its net worth turns negative? | 6 |
| 3. a | Explain the Merits and demerits of financial derivatives? | 6 |
| b | Explain the risk containment measures for the financial derivatives trading in India? | 6 |
| 4. a | Explain various uses of Forward contract with suitable examples? | 6 |
| b | Explain what happens when an investor shorts a certain shares? | 6 |
| 5. a | What do you understand by hedging with suitable examples? | 8 |
| b | Differentiate between hedging and Speculation. | 4 |
| 6. a | What is financial Swap? Discuss the features of a swap contract with example? | 6 |
| b | Write a note on valuation of currency Swap. Explain with examples. | 6 |
| 7. a | What do you understand by Options and Options Market? Explain Its significance in financial market? | 8 |
| b | Distinguish between Exchange-trade Options and OTC-traded Options. | 4 |
| 8. | Case study (Compulsory)
French Company imports in January an equipment from the USA for \$6 millions. The Payment in US dollars is due in June. The importer fears an appreciation of US dollars. The spot rate is \$0.2/FFr. The FFr future contract for June is quoted at \$0.19/FFr. What should the French importer do? Assume further spot rate on settlement date is \$0.185/FFr and the future contract is likely to be quoted at \$0.178/FFr. What is the hedging efficiency?
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