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FACULTY OF MANAGEMENT

M.B.A. III - Semester (CBCS) Examination, May / June 2018

Subject : Financial Risk Management

Paper – MB-304-1 Discipline Specific Elective-II

Time : 3 hours

Max. Marks : 80

PART – A (5 x 4 = 20 Marks) (Short Answer Type)

- 1 Product Market Risk
- 2 Risk avoidance
- 3 International Fisher Effect
- 4 Currency Swap
- 5 Types of Options



PART – B (5 x 12 = 60 Marks) (Essay Answer Type)

- 6 a) Explain the nature and scope of risk management.
 - OR
 - b) Explain briefly the risk reporting process.
- 7 a) What is VaR? Explain how VaR helps in investment decisions. How is VaR different from CaR?

OR

- b) Discuss the RBI guidelines in relation to ALM.
- 8 a) What do you mean by stock index futures? Explain how the speculators and arbitrageurs can profitable use stock index futures.

OR

- b) A stock index is currently selling at 860. The continuously compounding risk free rate of return is 9% p.a. and the dividend yield on the index is 4 per annum. What should the futures price for a contract with 3 months to expiration be?
- 9 a) Define Swaps. Explain the types of swaps.

OR

- b) Explain the role of interest rate swaps in hedging the risk of rising or falling interest rates.
- 10 a) What are options and what are the types of options?

OR

b) The standard deviation of the continuously compounded stock price changes for Rekha Ltd. is estimated to be 20 per cent per year. The stock of Rekha Ltd is currently selling at Rs.85 and the effective annual interest rate is 12.5 per cent. What is the value of a one year call option on the stock of Asha Ltd if the exercise price is Rs.90.
