

FACULTY OF MANAGEMENT

M.B.A. III – Semester (CBCS) Examination, January 2018

Subject : Financial Risk Management (F)

**Paper – MB-304-1
Discipline Specific Elective-I
(Finance)**

Time : 3 hours

Max. Marks : 80

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

- 1 Product Market Risk
- 2 Credit Risk
- 3 Derivatives Market
- 4 Interest Rate Swap
- 5 European Option

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

- 6 a) What is Risk? Explain various sources and methods of measuring the risk.
OR
b) Discuss different types of risk and risk management methods.
- 7 a) Discuss briefly the non-insurance methods of risk management.
OR
b) What is ALM? Explain the evolution process of ALM.
- 8 a) What is meant by derivatives? What are the advantages of derivatives?
OR
b) A futures contract will expire in 6 months and the continuously compounded risk free rate of interest is 10 per cent. The expected dividend rate on the underlying stocks for the same period is 2 per cent on continuous basis. Find the fair value for the futures if the current values of the index is Rs.1200.
- 9 a) What is a financial swap? Explain the salient features of swap.
OR
b) Describe how currency swaps are helpful in hedging against a decline in the value of asset.
- 10 a) Discuss the definition and types of options.
OR
b) The stock of AB Ltd is currently selling at Rs.50 and after one year it would be selling either for Rs.40 or Rs.60. If the rate of interest for borrowing and lending is assumed to be 20 per cent for one year period, determine the value of the Call Option with an exercise price of Rs.50.
