20/11/2020.

Code No. 12054

FACULTY OF MANAGEMENT

M.B.A. III – Semester (CBCS) Examination, November 2020
Subject: A. Financial Risk Management

Paper – MB – 304 Discipline Specific Elective – I (Finance)

Time: 2 Hours **Max.Marks: 80**

PART – A

Note: Answer any four questions. **(4x5 = 20 Marks)**

1 Capital Market Risk
2 American Option
3 Distinguish between arbitration and hedging
4 Plain vanilla interest rate swap
5 Option Premium

PART – B

Note: Answer any four questions. **(4x15 = 60 Marks)**

6. Explain the Asset-Liability Management (ALM) evolution and concepts?

7. Explain the risk reporting process of both internal and external?

8. Briefly explain the intrinsic value and time value of options?

9. Explain the process of VaR and CaR to make investment decisions?

10. Discuss the nature of currency swaps and explain the different types of currency Swaps?

11. What are the features of future contract? Explain the differences between forward and future contracts?

12. Suppose that a March Call option to buy a share for \$ 50 costs \$ 2.50 and is held until March. Under what circumstances will the holder of the option make a profit? Under what circumstances will the option are exercised?

13. Explain the concept of derivatives. Explain various types of Derivatives?

14. Determine the value of the call options with black and scholes (B/S) model:
    σ = Standard Deviation = 0.27
    Risk free rate = 8%
    S = Current Price Rs. 32; K = Strike Price Rs. 35;
    Time = 0.3 years.

15. Explain the binomial option pricing model (BOPM)?

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