

Code No. 12074

FACULTY OF MANAGEMENT
MBA (CBCS) III – Semester Examination, February 2021

Subject: Financial Risk Management
Paper: MB 304-1 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 Liquidity risk
- 3 Interest rate risk
- 4 Currency Swaps
- 5 European option

PART – B

Note: Answer any four questions.

(4x15 =60 Marks)

- 6 Explain Risk management approaches and methods?
- 7 Explain the comprehensive view of Risk in Financial Institutions?
- 8 Explain the concepts of Asset-Liability Management and its evolution.
- 9 Explain Non-Insurance methods of Risk Management Process.
- 10 Explain the concept of Derivatives and types of Derivatives?
- 11 An Investor buys 550 shares of Satyam @ Rs.220 per share in the cash market. In order to hedge, he sells 350 futures of Satyam @ Rs.175 each. Next day the share price and future decline by 6% and 3% respectively. He closes his position next day by counter transactions. Find out his profit or loss.
- 12 Following information is available in respect of borrowing position of Vardini and Heximo Ltd.

	Vardini Ltd.	Heximo Ltd.
Fixed Rate	13.5%	15.25%
Flotation Rate	M/BOR+3.75%	M/BOR+4.50%

Design a swap deal between the two, so that benefit is equally divided between the two.

- 13 Explain how you use currency swaps to hedge against risk of (i) Decline in revenue
ii) Increase in cost iii) Decline in value of an asset.
- 14 A share has current market price of Rs.50, one month call is available at a strike price of Rs.39. It is known that after one month the share price may be Rs.40 or Rs.38. Find out the value of the call as per binomial model if the risk free rate is 9%.
- 15 Explain the definition of an option, and also its various types in detail?
