

Risk Mgmt
23.4.18

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Q. P. Code : 35059

Duration : 2.5 hours

Marks : 75

- All questions are compulsory

Q1. A. Match the following: (Any 8)

(8 Marks)

Column A**Column B**

- Financial Risk
- REIT
- Hedge Fund
- Translation Exposure
- Global Bond
- Inverted Yield Curve
- Duration
- Legal Risk
- Beta

- High Net Worth Investors
- Downward Sloping
- Change in price with respect to interest rate
- Focuses on borrower's financial performance
- Loss due to regulatory actions
- market risk of a security or portfolio
- Failure of people, system or processes
- Invests in properties or mortgages
- Valuation of assets and liabilities into foreign currency
- Issued in several countries at the same time

10. Operational Risk

B. State whether True or False: (Any 7)

(7 marks)

- Credit rating assesses the credit worthiness of the borrower.
- Risk and Uncertainty are one and the same.
- Sensitivity analysis is a quantitative risk management tool.
- Term structure risk arises if there is a maturity mismatch between liabilities and offsetting assets.
- Hedge funds are regulated by SEBI.
- Gold ETFs are gold units representing physical gold in dematerialised form.
- Currency Convertibility refers to conversion of assets into liabilities.
- Transaction exposure refers to risk arising due to exchange rate difference on different dates.
- In a currency rate swap principal is exchanged at the beginning of the contract and end of the contract.
- Call option gives the holder the right to buy the underlying asset.

Q2. A. What is Financial Risk? What are its types?

(8 marks)

B. What is Credit Risk? What are the techniques to hedge credit risk?

(7 marks)

OR

C. Distinguish between Financial Risk and Business Risk.

(8 marks)

D. Explain Risk Identification faced by an Organisation.

(7 marks)

Q3. A. Calculate the Standard Deviation and Expected Return from the following information:

(8 marks)

State of the Economy	Probability	Return on HDFC Ltd.	Return on ICICI Bank Ltd.
High Growth	0.20	-13	-4
Low Growth	0.15	16	-2
Stagnation	0.40	32	21
Recession	0.25	12	20

B. With the help of following information determine which stocks are overvalued and which are undervalued. (7 marks)

Stock	Actual Returns (%)	Beta
Bajaj Auto	19	1.6
Maruti Suzuki	15	0.8
Tata Motors	23	1.2
Mahindra & Mahindra	17	0.9

Return on Market Portfolio : 20%

Risk free rate of return : 15%

OR

C. Find the value of a bond of ONGC Ltd. with 8 years maturity and face value of Rs.1000. The Coupon rate is 15% p.a and required rate of return is 16%. The coupon is paid annually and the bond is redeemed at a premium of 15%. (8 marks)

D. A Bond is currently trading at Rs. 1250 and has a face value of Rs. 1000. Maturity is of the bond is 10 years and the coupon rate is 13% (paid annually). What should be the YTM of this bond? (7 marks)

Q4. A. Explain REITs? What are its Investment strategies? (8 marks)

B. What is Market Risk? What are its types? (7 marks)

OR

C. Explain the different methods of managing risk in the forex markets. (8 marks)

D. What is Capital Account Convertibility? What are its advantages? (7 marks)

Q5. A. Explain bond and its types. (8 marks)

B. What is a yield curve? What are the different types of yield curve? (7 marks)

OR

Q5. Write short notes: (any three) (15 marks)

- Bond Duration
- Chief Risk Officer
- Hedge Funds
- Exchange Rate Swap
- Technological Risk
