

Roll No.

Total No. of Questions : 13]

[Total No. of Printed Pages : 4

DY-314-F

**M.B.A. Plain (F.T.) IVth Semester
(Reg./Ex./ATKT) Examination, 2023**

Finance Risk Management

Paper - FSB-4

Time : 3 Hours]

[Maximum Marks : 80

Note :- Attempt all the questions.

SECTION - 'A'

Short Answer Type Questions 4×8=32

Note :- Attempt any Four out of Eight questions. Each questions carries 8 marks.

1. Define Interest Rate Swaps. Explain with Relevant Diagram.

DY-314-F

(1)

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2. Explain the following Risk Costs :

(a) Risk Handling Costs

(b) Loss Control Costs.

3. Explain the Principles of Corporate Risk Management.

4. Define and Explain Characteristics of Strangle Strategy.

5. Explain the following Risk Management Approaches with examples :

(a) Risk Transfer

(b) Risk Avoidance

6. Define Index Futures and Explain Hedging through Index Futures.

7. Define American Option and European Option. Explain Difference.

8. Define Exchange Rate Risk. Very Briefly Explain the Meaning of three types of Exposures which constitute Exchange Rate Risk.

SECTION - 'B'

Long Answer Type Questions 3×16=48

DY-314-F

(2)

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Note :- Attempt any Three out of Five questions. Each questions carry 16 marks.

9. Explain in detail the following Risks :

- (a) Credit Risk
- (b) Internal Business Risk
- (c) Price or Market Risk
- (d) Events of God

10. Calculate the price of the European style call option for a non-dividend paying stock when the stock price in Rs. 52. The strike price is Rs. 50, the risk-free interest is 12% per annum, the volatility is 30% per annum and the time for maturation is three months. <https://www.onlinebu.com>

11. Explain the three types of Participants in Derivative markets and their Role.

12. Explain with Examples and Pay off Diagrams the following Option Trading Strategies :

- (a) Buy Call
- (b) Sell Put

13. Company A wishes to borrow US dollars at a fixed rate of interest. Company B wishes to borrow Japanese yen at a Fixed rate of interest. The amounts required by the two companies are roughly the same at the current exchange rate. The companies are subject to the following interest rates, which have been adjusted to reflect the impact of taxes :

	Yen	Dollars
Company A	5.0%	9.6%
Company B	6.5%	10.0%

Design a swap that will net a bank, acting as intermediary, 50 basis points per annum. Make the swap equally attractive to the two companies and ensure that all foreign exchange risk is assumed by the bank.

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