

2½ Hours

Total Marks : 75

Please check whether you have got the right question paper.

1. All question are compulsory and carry equal marks.
2. Figures to right indicate full marks.

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

(8 Marks)

	Column A	Column B
1	Currency Swap	a. Principal is notional
2	Interest Rate Swap	b. Technique to hedge Forex risk
3	REIT	c. Return on bond if held till maturity
4	Translation Exposure	d. Principal is exchanged in the beginning and the end
5	Convexity	e. Upward Sloping
6	Exposure Netting	f. Systematic Risk
7	YTM	g. High Net worth Investors
8	Normal Yield Curve	h. Invests in properties or mortgages
9	Beta	i. Valuation of assets and liabilities into foreign currency
10	Hedge Fund	j. Non-linear relationship between bond price and yield

Q.1.B. State whether True or False: (Any 7)

(7 marks)

1. It is the responsibility of Risk officer to collect necessary information from various teams.
2. Risk and Uncertainty are synonymous.
3. Credit Rating is a risk management tool.
4. Liquidity risk includes asset liquidity and operational funding liquidity risk.
5. Forex Market in India is regulated by SEBI
6. Forward contracts are standardised by the stock exchange.
7. Interest risk arises out of changes in interest rate
8. Translation exposure refers to risk arising due to exchange rate difference on different dates.
9. Swaps are contracts where a series of payments are exchanged for a specified period of time.
10. Put option gives the holder the right to buy the underlying asset.

- 2.A. Explain the process of Risk Management? **(8 marks)**
 2.B Define Risk and distinguish between Risk and Uncertainty? **(7 marks)**

OR

- 2.P. What are the different types of risk? **(8 marks)**
 2.Q. What is 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 Maruti Suzuki	Return on Mahindra & Mahindra
High Growth	0.30	-15	36
Low Growth	0.10	18	-12
Stagnation	0.20	28	11
Recession	0.40	9	10

- Q.3.B. With the help of following information determine which stocks are overvalued and which are undervalued. **(7 marks)**

Stock	Actual Returns (%)	Beta
HDFC Bank Ltd	29	1.5
ICICI Bank Ltd	25	1.8
SBI Ltd	13	1.3
Kotak Bank Ltd	27	1.9

Return on Market Portfolio : 17%
 Risk free rate of return : 10%

OR

- Q.3.P. Find the value of a bond of NTPC Ltd. with 10 years maturity and face value of Rs.1000. The Coupon rate is 13% p.a and required rate of return is 15%. The coupon is paid annually and the bond is redeemed at a premium of 5%. **(8 marks)**

Q.3.Q. A Bond is currently trading at Rs. 1350 and has a face value of Rs. 1000. Maturity is of the bond is 8 years and the coupon rate is 10% (paid annually). What should be the YTM of this bond? (7 marks)

Q.4.A. What is a hedge fund? Explain its characteristics. (8 marks)

Q.4.B. Discuss on the stakeholders who are involved in Business Risk? (7 marks)

OR

Q.4.P. Explain the different methods of managing risk in the forex markets. (8 marks)

Q.4.Q. Explain the merits and demerits of currency convertibility? (7 marks)

Q.5.A What is a bond? What are the different types of bonds? (8 marks)

Q.5.B Explain yield curve and its types. (7 marks)

OR

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

- a) REIT
- b) Chief Risk Officer
- c) Categories of Private Equity
- d) YTM
- e) Political Risk