**Duration: 2.5 hours** **Marks : 75**

- All questions are compulsory

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

| | Column A | | Column B |
|---|---|---|---|
| 1 | Uncertainty | a | Assesses Credit Worthiness of borrower |
| 2 | Credit Rating | b | Conversion values of assets and liabilities from domestic to foreign currency |
| 3 | Term Structure Risk | c | High Net Worth Investors |
| 4 | Sensitivity Analysis | d | Downward Sloping |
| 5 | Gold ETFs | e | Cannot be measured |
| 6 | Translation Exposure | f | Gold in dematerialised form |
| 7 | Hedge Funds | g | Mismatch between liabilities and assets |
| 8 | Inverted Yield Curve | h | Quantitative Risk Management Tool |
| 9 | Operational Risk | i | Loss due to regulatory actions |
| 10 | Legal Risk | j | Failure of people, system or processes |

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

1. PE funds provide higher returns to investors as compared to stocks.
2. LBO refers to acquisition of a company with the help of debt capital.
3. Exposure netting requires creating an opposite exposure in the currency in which the firm has original exposure.
4. A foreign bond is issued by a foreign entity in the domestic market in the foreign currency.
5. A Normal yield curve slopes upward in the long run.
6. Hedge Funds are regulated by the SEBI.
7. A potential threat to the environment would be called as political risk.
8. Commercial risk arises due to wrong estimation of demand for products before making investments.
9. Infrastructure Investment Trusts exist to finance, construct, own, operate and maintain infrastructure projects.
10. Reinvestment risk exists for a bond with a call option.

Q2. A. Explain Risk Management and its process? (8 marks)
B. What is Business Risk? How can it be managed? (7 marks)

**OR**

C. What are the objectives of Risk Management? (8 marks)
D. What is credit risk? What are the techniques to hedge credit risk? (7 marks)

Q3. A. Calculate the Standard Deviation and Expected Return from the following information: (8 marks)

| State of the Economy | Probability | Return on Bajaj Auto % | Return on Tata Motors Ltd. |
|---|---|---|---|
| High Growth | 0.30 | 52 | 46 |
| Low Growth | 0.15 | 19 | 23 |
| Stagnation | 0.25 | - 10 | - 9 |
| Recession | 0.30 | - 19 | - 13 |

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

| Stock | Actual Returns (%) | Beta |
|---|---|---|
| Infosys Ltd | 23 | 1.5 |
| TCS Ltd | 19 | 0.9 |
| Tech Mahindra | 16 | 1.3 |
| Mindtree | 19 | 0.8 |

Return on Market Portfolio : 21%
Risk free rate of return : 14%

**OR**

C. Find the value of a bond of HPCL 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 12%. (8 marks)

D. A Bond is currently trading at Rs. 1350 and has a face value of Rs. 1000. Maturity is of the bond is 9 years and the coupon rate is 12% (paid annually). What should be the YTM of this bond? (7 marks)

Q4. A. Explain market risk and its types (8 marks)
B. What is Liquidity Risk? How is it measured? (7 marks)

**OR**

C. Explain the different methods of managing risk in the forex markets. (8 marks)
D. What is Private Equity? What are its various categories? (7 marks)

Q5. A. Explain yield curve and its types. (8 marks)
B. Explain in detail the participants in the debt market. (7 marks)

**OR**

Q5. Write short notes: (any three) (15 marks)
a. Types of Bonds
b. Characteristics of a Hedge Fund
c. Precious Metals as an alternate investment asset
d. Risk Committee
e. Technological Risk

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