Duration : 2 ½ Hours **Marks : 75**

NB: 1. All questions are compulsory

2. Figures to the right indicate total marks allotted to the question

Q1 A Multiple Choice Questions **(Answer any 8)** **8**

1.Risk is defined as volatility of actual returns from _____.

a. Profit b. Saving c. Investment d. Deposit

2.Which of the following is the feature of uncertainty?

a. Controllable b. Uncontrollable c. Measurable c. Can't be reduced

3...............risk arises from stock price volatility.

a. Country risk b. Political risk c. Market risk d. Equity risk

4.…. funds are suitable for small investors.

a. Mutual funds b. Hedge funds c. FoF d. ETF

5.…………is the total exposed amount that an organization wants to undertake on the basis of Risk return trade-off.

a. Risk Appetite b. Risk culture c . Risk tolerance d . Risk target

6. Which of the following is not a part of human resource risk?

a. Knowledge and skill labour b. Staffing c. Employee theft d. Market competition

7.______is not business risk.

a. Operational risk b. Reputation risk c. Strategic risk d. Credit risk

8. The Date of Repayment of A Bond Is Known As

a. Maturity date b. issue date c. landing date d. closing date

9. The main concern of government is to ensure company is fulfilling it's .... liability

a. Tax b. Jobs c .Credit d. Shares

10. ______________ explains relation between systematic risk of a portfolio or security and market risk.

a. Beta b. Lambda c. Gamma d. Rho

B State whether True or False **(Any Seven)** **7**

1.Impact cost is considered to be the most appropriate measure of liquidity of an asset.

2.Infrastructure Investment Trusts exist to finance, construct, own operate and maintain infrastructure projects.

3.LBO refers to Leverage Buy Outs.

4.Liquidity risk is the risk business suffer by extending credit to the customers

5.Providing training is not important for employees who are into daily operational work.

6.Real estate investment helps to hedge against inflation.

7.Corporate bonds have lower risk compared to government bonds.

8.Term Structure risk arises if there is mismatch in maturity between liabilities and offsetting assets.

9.Sensitivity refers to change in output due to change in one or more input variables.

10.Technological risk includes Scams and phishing

Q2 **A** Explain the concept of risk management and state its objectives. **8**

B Explain the methods to mitigate financial risk **7**

OR

C Define and classify strategic risk. **8**

D Write a note on organizations ability to bear risk **7**

Q3 **A** From the given information calculate Expected returns and Standard Deviation: **8**

State of Economy	Probability	Stock A	Stock B
Normal	0.40	35%	23%
Boom	0.20	40%	35%
Recession	0.60	10%	15%

B With the help of the following information determine which stocks are overvalued and which are undervalued **7**

Stock	Actual Return(%)	Beta
A	22	1.5
B	18	0.9
C	20	1.3

Return on Market Portfolio 20%
Risk free return 15%

OR

C Calculate the value of the bond based on the information given below: **8**
Face Value - Rs 1000
Coupon Rate- 15% per annum paid annually
Maturity – 8 years
Required rate of return – 16 %
The bond is redeemed at a premium of 14%

D A bond is trading at Rs 1200 and has a face value of Rs 1000. Maturity of the bond is 10 years and the coupon rate is 12 percent paid annually. Calculate the yield to maturity. **7**

Q4	A	What is liquidity risk? What are its types.	8
	B	Explain the role of risk manager and risk committee.	7
		OR	
	C	Explain the term Alternative Investment Funds and give its characteristics.	8
	D	What are the different types of foreign exchange risk	7
Q5	A	Discuss the reasons for investing in debt markets.	8
	B	What are the different types of bonds?	7
		OR	
	C	Short notes **(answer any three)** 1. Hedging through futures 2. Real Estate Investment Trusts (REITs) 3. Stakeholders in business 4. Currency convertibility in India 5. Participants in Debt Market	15
