

7	Hedge funds	G	Issued at discount redeemed at par
8	Precious Metals	H	Financial Risk
9	Normal Yield Curve	I	positively sloped
10	Convertibility	J	Uncertainty

Q2. A. Explain the concept of Risk and Uncertainty. What is the process of risk management? (8 marks)

B. What is Financial Risk? What are the types of Financial Risk? (7 marks)

OR

C. Explain the concept of Country Risk and Technological Risk with examples. (8 marks)

D. Explain the concept of credit risk and methods to manage the same. (7 marks)

Q3. Solve: (8 marks)

A. Ms. Kapoor wants to invest in either Reliance Industries Ltd or HDFC Bank Ltd. The returns and probabilities for the two stocks are given below:

Reliance Industries Ltd		HDFC Bank Ltd	
Return (%)	Probability	Return (%)	Probability
12	0.15	10	0.10
14	0.25	12	0.20
16	0.30	14	0.40
18	0.20	16	0.20
20	0.10	18	0.10

Calculate the expected return and standard deviation for both Reliance Industries Ltd and HDFC Bank Ltd. Based on your calculations, advise Ms. Kapoor whether she should invest in Reliance Industries Ltd or HDFC Bank Ltd. Justify your answer.

B. Solve: (7 marks)

With the help of the following information, determine which stocks are overvalued and which are undervalued. Use the Capital Asset Pricing Model (CAPM) for your calculations.

Stock	Actual Returns (%)	Beta
Tata Motors Ltd.	18	1.4
Hindustan Unilever Ltd.	12	0.7
Bajaj Finance Ltd.	22	1.1
Adani Ports Ltd.	16	0.9

Additional Information:

- Return on Market Portfolio (R_m): 18%
- Risk-free Rate of Return (R_f): 12%

OR

C. Solve: (8 marks)

Microsoft Inc. issues bonds with an annual interest rate of 5%, making semi-annual interest payments for 5 years, after which the bond matures and the principal is repaid. Investors' expected rate of return on similar instruments is 7%. The face value of the bond is \$1,000. Find the value of these bonds.

D.Solve:

(7 marks)

A bond issued by TechNova Ltd. is currently trading at Rs. 1,250 and has a face value of Rs. 1,000. The maturity of the bond is 8 years, and the coupon rate is 15% (paid annually). What should be the Yield to Maturity (YTM) of this bond?

Q4. A. Explain currency convertibility and its advantages..

(8 marks)

B. Explain Private Equity and its categories.

(7 marks)

OR

C. Explain the different types of risks in the forex markets.

(8 marks)

D. Explain REITs and investment strategies used by them.

(7 marks)

Q5. A. What is a bond? What are the different types of bonds?

(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)

a. Chief Risk Officer

b. Exchange Rate Swap

c. Strategic Risk

d. Bond Duration

e. Participants in the debt market
