

2½ Hours

Total Marks:75

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

(8 Marks)

| Sr no | Column A | Sr No | Column B |
|-------|--------------------|-------|--|
| 1 | Spread | A | Issued in several countries at the same time |
| 2 | VaR | B | Gold in demat form |
| 3 | HNWI | C | Market risk measurement |
| 4 | Gold ETF | D | Debt service coverage ratio |
| 5 | HPR | E | Upward sloping |
| 6 | YTM | F | Holding period Return |
| 7 | Global Bond | G | Yield to Maturity |
| 8 | Beta | H | High net worth Individuals |
| 9 | Normal Yield Curve | I | Value at risk |
| 10 | DSCR | J | Difference between two interest rates |

B State whether True or False: (Any 7)

(7 marks)

- 1 Term structure risk arises if there is a maturity mismatch between liabilities and offsetting assets.
- 2 Hedge funds are regulated by SEBI
3. Gold ETFs are gold units representing physical gold in dematerialised form.
4. Currency Convertibility refers to conversion of assets into liabilities.
5. Transaction exposure refers to risk arising due to exchange rate difference on different dates.
6. In a currency rate swap principal is exchanged at the beginning of the contract and end of the contract.
7. Call option gives the holder the right to buy the underlying asset.
8. Credit rating assesses the credit worthiness of the borrower.
9. Risk and Uncertainty are one and the same.
10. Sensitivity analysis is a quantitative risk management tool.

Q no 2 a) Explain the methods of managing Financial Risk

(8 marks)

b) Explain Business risk & its management process

(7 marks)

OR

Q no 2 c) Explain Liquidity risk & its causes

(8 marks)

d) Explain the meaning & Types of Yield Curves

(7 marks)

Q3.A. Calculate Standard Deviation and Expected Return from the following.

(8 marks)

| State of Economy | Probability | Return on Stock 'M' | Return on Stock 'N' |
|------------------|-------------|---------------------|---------------------|
| Normal | 0.30 | 25% | 22% |
| Recession | 0.20 | 40% | 30% |
| Boom | 0.50 | -10% | 15% |

Q3.B. With the help of following information determine which stocks are overvalued and which are undervalued. (7 marks)

| Stocks | Return (%) | Beta. |
|--------|------------|-------|
| P ltd | 22 | 1.6 |
| Q ltd | 18 | 0.8 |
| R ltd | 20 | 1.2 |

(OR)

Q3. C. Find out value of a bond with 6 years maturity and face value of Rs.100. Coupon rate is 13% and required rate of return is 12% further coupon is paid annually. (8 marks)

Q3. D. A Bond is currently trading at Rs. 105 and have a face value of Rs. 100. Maturity is of 5 years and coupon rate is 10% (paid annually). What should be the YTM of the bond. (7 marks)

Q4. A. Discuss on the stakeholders who are involved in Business Risk. (8 marks)

Q4. B. What is a Hedge Fund? Explain its Characteristics. (7 marks)

(OR)

Q4. C. Discuss Currency convertibility (8 marks)

Q4. D. Explain the methods to manage Forex Risk. (7 marks)

Q5. A. Write Short notes on the following (Any 03) (15 marks)

1. REIT
2. YTM.
3. Technological Risk.
4. Political Risk.
5. Quantitative risk.