x

(2½ Hours) **[Total Marks : 75]**

Please check whether you have got the right question paper.

N.B.: **1)** **All** questions are **compulsory**
2) **All questions carry equal marks.**

Q.1. A State whether True or False: **(Any 7)** **7M**

1. A company's financial risk is associated with its financial leverage.
2. Impact cost is a measure of Liquidity risk.
3. Commercial risk arises due to wrong estimation of demand for products before making investments.
4. Hedge Fund are subject to less regulations.
5. Exposure netting requires creating an opposite exposure in the currency in which the firm has original exposure.
6. Capital Account convertibility relates to rupee convertibility on the current account.
7. Financial risk arises due to the use of debt financing in the capital structure.
8. Sensitivity refers to change in output due to change in one or more input variables.
9. Currency risk refers to risk arising from volatility of exchange rate.
10. Infrastructure Investment Trusts exist to finance, construct, own, operate and maintain infrastructure projects.

Q.1. B. Match the following: **(Any 8)** **8M**

	Column A		Column B
1.	Currency Risk	a	Monitor & Review
2.	Beta	b	Determines Debt paying capacity of a firm
3.	IRDA	c	Uncertainty
4.	Risk Measurement	d	Determines Credit Worthiness
5.	Residual Risk	e	Exchange of Floating Commodity prices
6.	Commodity Swap	f	Amount of Risk Left over
7.	Risk	g	Square of Standard Deviation
8.	Credit Rating	h	Insurance
9.	DSCR	i	Exchange Rate Risk
10.	Last Step in Risk Managemnt	j	Evaluation of Risk

Q.2. A. What are the objectives of Risk Management? **8M**

B. What is Business Risk? How can it be managed? **7M**

OR

Q.2. C. Explain The Different Tools to Measure Quantitative Risk **8M**

D. Distinguish Between Business Risk & Financial Risk **7M**

Q.3. A. Calculate the Standard Deviation and Expected Return from the following information: **8M**

State of the Economy	Probability	Return on B Retail	Return on A Retail
A	0.40	46	43
B	0.10	23	26
C	0.15	-15	-12
D	0.35	-35	-33

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

Stock	Actual Returns (%)	Beta
A Ltd.	36	0.9
B Ltd.	41	1.2
C Ltd.	35	0.8
D Ltd.	29	1.6

Return on Market Portfolio : 30%
Risk free rate of return : 12%

OR

C. Find the value of a bond of Zebra Ltd. with 10 years maturity and face value of Rs.100. The Coupon rate is 15% p.a and required rate of return is 17%. The coupon is paid annually and the bond is redeemed at a premium of 20%. **8M**

D. A Bond is currently trading at Rs. 2710 and has a face value of Rs. 1000. Maturity is of the bond is 10 years and the coupon rate is 12% (paid annually). What should be the YTM of this bond? **7M**

Q.4. A. What the methods of hedging transaction and translation exposure? **8M**
B. Explain REIT and its Investment Strategies. **7M**

OR

C. What is a yield curve? Explain the different types of the yield curve. **8M**
D. What is a bond? what are the different types of International bonds? **7M**

Q.5. A. Explain Hedge Funds and its strategies. **8M**
B. What is liquidity risk? How is it measured? **7M**

Q5. Write short notes on: **(Any three)** **15M**
1. Risk Committee
2. Responding to Stakeholder expectations in risk management
3. Technological Risk
4. Investment in Precious Metals as an Alternative Investment
5. Interest Rate Swap
