

2½ Hours

Total Marks : 75

Please check whether you have got the right question paper.

1. All question are compulsory and carry equal marks.
2. Figures to right indicate full marks.

1.A Select the appropriate word/phrase to complete the sentence 8 MARKS

- 1) _____ refers to acquisition of a company or a part of company with the help of debt capital.
(a) Fund of Fund (b) Mezzanine Capital (c) Angel's Capital (d) Leverage Buyout
- 2) _____ risk is a type of market risk.
(a) Liquidity (b) Credit (c) Inflation (d) Interest rate
- 3) _____ Strategy involves taking advantage of corporate events like mergers, acquisitions, share buyback, restructuring, etc.
(a) Directional (b) Event-driven (c) Non-directional (d) Static
- 4) _____ refers to a maximum loss on a given asset over a given period of time at a given confidence level.
(a) Standard Deviation (b) Beta (c) Variance (d) Value at Risk
- 5) Modified duration is an extension of _____.
(a) Macaulay duration (b) Short duration (c) Effective duration (d) Mezzanine duration
- 6) _____ sets a benchmark for the rest of the debt market.
(a) PSU Bonds (b) Government Bonds (c) Corporate Bonds (d) Nifty
- 7) Bonds with no maturity dates are called as _____.
(a) Tax saving bonds (b) Perpetual bonds (c) Zero Coupon Bonds (d) Callable Bonds
- 8) _____ REIT strategy derives 70%-100% of the return from capital appreciation of the property, rather than regular rental income.
(a) Core strategy (b) Core-plus strategy (c) Value added (d) Opportunistic style strategy
- 9) _____ risk arises due to wrong estimation of demand for products or services before making investments
(a) Technology risk (b) Legal risk (c) Commercial risk (d) Environmental risk
- 10) _____ is square root of variance.
(a) Range (b) Beta (c) Standard deviation (d) VAR

1.B State whether the following statements are true or false (any 7) 7 MARKS

- a) Diversification helps in reducing unsystematic risk.
- b) Sensex comprises of 50 stocks.
- c) Forwards are traded on the exchanges.
- d) Convexity is defined as third order derivative of price with respect to interest rate.
- e) Investment in gold is a hedge against inflation.
- f) Uncertainty implies a situation where the future events are not yet known.
- g) Inverted yield curve indicates investors are expecting recession.
- h) Credit rating assess the credit worthiness of the investor.
- i) Alpha is widely used measure to calculate market risk of a portfolio or security.
- j) Hedge Funds are unregulated.

2.A. Explain Risk and Concerns of different stakeholders. 8 MARKS**2.B. Explain business risk and its management process. 7 MARKS****OR****2.P Distinguish between Mutual Funds and Hedge Funds. 8 MARKS****2.Q What is Financial Risk? What are its types. 7 MARKS****3.A Calculate Standard Deviation and Expected Return from the following 8 MARKS**

State of Economy	Probability	Return on Atul Ltd	Return on SRF Ltd.
High Growth	0.2	8	5
Low Growth	0.3	14	4
Stagnation	0.4	25	18
Recession	0.1	12	20

3.B A bond of Rs. 1000 face value carrying an annual interest rate of 9% is redeemable after 5 years at par if the required rate of return is 10% what is the present value of the Bond? 7 MARKS**OR**

- 3.P** You are considering an investment in one of the following Bond having Par Value Rs.100 **8 MARKS**

	Coupon Rate	Maturity	Price of Bond
Bond A	12%	10 Years	Rs. 70
Bond B	10%	6 Years	Rs. 60

What is YTM of each Bond? Which Bond would you recommend for investment?

- 3.Q** Calculate risk and return. **7 MARKS**

State	Probability	Returns
Boom	0.4	35
Normal	0.2	30
Recession	0.1	25
Recovery	0.3	20

- 4.A** Explain bond and its types. **8 MARKS**

- 4.B** Explain briefly the alternate investment strategies. **7 MARKS**

OR

- 4.P** Explain the different methods of managing risk in the forex markets. **8 MARKS**

- 4.Q** Explain the advantages of investing in debt markets. **7 MARKS**

- 5.A** Discuss the Current v/s Capital Account convertibility in India. **8 MARKS**

- 5.B** Explain the advantages of investing in Real Estate and Private Equity. **7 MARKS**

OR

- 5.** Write short notes (**Any Three**) **15 MARKS**

- Chief Risk Officer
- Currency Futures
- Convexity
- Euro Bonds
- Technological Risk