Time: 2 ½ **Marks: 75**

Q-1) a) State whether following statements are True or false: (Any 8) (8)

1. Clearing and settlement of stock exchanges are done on T+1 basis.
2. Margin requirement helps to reduce risk in trading.
3. Unsystematic risk relates to the risk of changes in environment of economic, political, social etc.
4. American option can be exercised only on expiration date.
5. Issuer of the bond have more risk than issue of equity.
6. Credit default swaps plays a role of insurer to cover credit risk.
7. Value at risk refers to maximum loss on a given asset over a given period of time at a given confidence level.
8. BIS is world's oldest international financial organization.
9. Beta is widely used measure to calculate market safety.
10. Cross hedging refers to hedging position by taking offsetting positions in another good with similar price movement.

b) Match the Columns: (Any 7) (7)

A	B
1) Delta hedging	a) Risk of failure in day to day functioning
2) Reinvestment risk	b) reduction in purchasing power of investor
3) COSO Objectives	c) NSDL
4) Commodity Exchange	d) Ratio of change in value of options to change in value of underlying
5) Gamma Hedging	e) 4
6) Operation risk	f) NCDEX
7) COSO Components	g) Ratio of change in value of delta to change in value of underlying asset
8) Derivatives	h) Risk of buying back of bond in falling interest rate scenario
9) Inflation risk	i) Hedging risk
10) Depository of security	j) 8

Q-2) a) Explain the process of Enterprise Risk Management. (8)

b) What are responsibilities of risk manager in an organization? (7)

OR

c) Write in detail major types of Derivatives. (8)

d) State elements of all Basel norms introduced by BIS. (7)

Q-3) a) Describe various risk involved in financial market. (8)

b) What mechanism RBI has suggested to review loan? (7)

OR

c) What all factors are included in ERM Matrix? (8)

d) Describe in detail Financial Crisis of 2007-08. (7)

Q-4) a) In April 2018 Mr. Saruesh purchased a June call option on stock of Reliance Ltd. At an exercise price of 1280. If the prices of shares of Reliance ltd. In the month of June are as follows than State following instruments are In the Money, At the Money or Out of the Money. (8)

Possibilities	Prices
A	1300
B	1290
C	1280
D	1270
E	1260
F	1240
G	1280
H	1220

b) Mr. Rajan bought 2,000shares of XYZ Ltd. On 1st March 2018, at Rs. 100 per share. To hedge risk he shorted 2000 shares in futures market @Rs. 120 per share. On the expiry date i.e. at 31st March 2018 the closing price is Rs. 125 per share. Calculate the gain or loss to vishal based on his position on 31st March 2018. (7)

OR

c) Write details of well known credit rating agencies of India. (8)

d) What are the basic terms utilized in Option trading? (7)

Q-5) a) Explain the Terms: (2 marks each) (8)

1) Call Option, 2) Strike Price, 3) Arbitrageurs, 4) Face value

b) Elaborate main objectives of Loan Review Mechanism. (7)

OR

c) Write Short Notes: (Any 3) (15)

1) Basis risk

2) Bond market Characteristics

3) OPEC oil price shock of 1973

4) Capital Adequacy Ratio (CAR)

5) Importance of Market Index

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