Roll. No. ....

Department of Management

Odd Semester Examination, Dec 2018

MBA-3rd Semester

Course Name: Financial Risk Management **Max Marks: 75**

Course Code: MBA-GE-FM-03 **Time: 03:00 Hr**

Instructions:

1. Attempt only five questions.
2. Students are allowed to use scientific calculator.

Q1: (a) How term of lending affects return on investment? Explain with example. [05]

(b) What are the Basic risk management strategies used by common people. [04]

(c) Calculate EPS (earning per share) of ABC Ltd. and XYZt Ltd. assuming:

(i) 18% before tax rate of return on assets;

(ii) 8% before tax rate of return on assets;

based on the following data: [06]

Particulars	**ABC Ltd. (In Rs. Lakhs)**	**XYZ Ltd (in Rs. lakhs)**
Assets	200	200
Debt (12%)	---	100
Equity	200 (Shares of Rs 10 each)	100 (Share of Rs. 10 each)
EBIT	On the basis of above condition	On the basis of above condition

Assume a 50% income tax in both cases. Also give your comments on the financial Leverage.

Q2: (a) Calculate [06]

- Expected Return;
- Standard Deviation; and
- Coefficient of variance

From the following information given by possible outcome and also give your analytical view about the above parameter results:

Possible out come	Probability	Rate of Return (%)	Rate of Return (%)
1	0.30	12	8
2	0.40	14	14
3	0.30	16	20

(b) What are the various differences between Capital Market and money market? [05]

(c) What is the use of commercial papers? Explain with example. [04]

Q3: (a) What are the various types of preference shares? Explain in detail. [05]

(b) What is interest rate risk? Explain with example [04]

(c) What is the difference between Loss Given Default and Exposer at Default in the analysis of banking loan sanction? [06]

Q4: (a) What are the various types of trading mechanism of government securities Market? [05]

(b) What is the difference between BSE and NSE? [05]

(c) Explain the concept of Circuit Break in stock market trading system. [05]

Q5: (a) Consider a portfolio consisting of a Rs. 4,00,00,000 in share of ICICI Bank and Rs. 8,00,00,000 in share of Axis Bank. The daily standard deviation of both shares is 2% and the coefficient of correlation between these two investments is 0.4. You are required to determine the 20 days 95% value at risk of this portfolio. [10]

Percentage	90	95	97	99	99.5
α (Probability)	0.1	0.05	0.03	0.01	0.005
Z(α)	1.28	1.645	1.96	2.33	2.58

(b) What do you mean by sensitivity analysis in business? [05]

Q6: (a) What are the various basic requirements of banks to calculate risk factor at the time of lending to the individuals? [05]

(b) What is the role of Purchasing Power Parity theory in defining exchange rate concept? Explain with example. [05]

(c) What is the role of finding the assumption in the particular investment strategy? [05]

Q7: (a) Why cannot government print more money and make every one rich? Explain in detail. [05]

(b) What is the difference between Block Trades and Bulk Deals in stock market trading system? [05]

(c) What do you mean by arbitrage opportunity in stock market trading? Explain with example. [05]

Q8: (a) What are the various types of risk in foreign exchange? Explain in detail. [05]

(b) What is the basic difference between Forward and Future contract [04]

(c) Define the method to calculate Real Interest Rate. [02]

(d) What is the difference between ADR's and GDR's in international financial market? [04]

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