DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT &BUSINESS STUDIES
JAMIA HAMDARD

Odd Semester Examination (Online) January 2021

MBA [III -SEMESTER]

Subject Name: Financial Risk Management **MM: 75**

Subject Code: MBA-GE-FM-03 **Time: 03Hours**

Email Id of the Examiner:matloobullahkhan@jamiahamdard.ac.in

Email Id of the Assistant Superintendent of Exams: assistant.superintendent.exams@gmail.com
Email Id of Dean: deanmanagement@jamiahamdard.ac.in

Note:

- Students have to submit the **Scannedhand written solutions**to the Examiner, Assistant Superintendent of Examination and Dean on the email ids as mentioned above.
- Students shall use **ruled white paper & blue ink** to write the solution. Each page must have a **serial number and the signature** of the student.
- An additional ½ an hour will be given to the examinees to scan the answer sheets, convert it into single PDF and upload it on the id's given on the question papers.
- If any two copies are found to be similar then both the copies shall be cancelled. Such students will be considered/ tried for unfair means.
- The attachedPDF shall be named as follows – Full Name-Enrollment Number-Course-Semester-Subject Abbreviation(Example: Rabia Shaheen-2017-334-032-MBA-III-QTM)and students shall also mention the same in subject line of the email& his/her answer copy also.
- Answer All Questions, each carry equal marks.

Q1: (a) Briefly explain risk management strategies with example

(b) What are the various causes of Risk? Explain with example

(c) A ltd. Company has equity share capital of Rs. 10,00,000 divided in to share of Rs. 100 each. It wishes to raise further Rs. 6,00,000 for expansion and modernization plans. The company have the following financing scheme

- All common stock
- Rs. 2,00,000 in common stock and Rs. 2,00,000 in 10% debenture
- All debt at 10% pa
- Rs. 2,00,000 in common stock and Rs 4,00,000 in preference capital with the rate of dividend at 8%

The company existing earning before interest and tax (EBIT) are Rs. 3,00,000. The corporate rate of tax is 50%. You are request to determine the earning per share (EPS) in each plan and comment on the implication of financial leverage.

Q2: (a) Calculate expected return, Standard Deviation and Variance from the following information

Possible Outcome	Probability	Return –I	Return II
1	0.20	12	8
2	0.60	14	14
3	0.20	16	20

(b) Briefly explain the various instrument of money market and how it is useful for working capital of any company?

(c) What is financial system? Discuss the structure of the present Indian Financial System, What are the component of a developed financial system.

Q3: (a) Briefly explain the trading mechanism of Share market with example.

(b) Explain the concept of Circuit filter and Circuit Break in stock market

(c) The manager at business A are forecasting the profit they hope to achieved next year based on the following assumptions

- Selling Price per unit 100
- Variable Cost per unit 30
- Fixed cost for year 5,00,000
- Forecast sales (Unit) 10,000

How sensitive to it is, if above assumption being 20 % worst

Q4: (a) Explain the concept of stress testing with example

(b) Explain the concept of VAR, with example

(c) Explain the concept of Scenario Analysis, with example

Q5: (a) Explain the use and importance of Credit Rating Companies?

(b) What do you mean by Financial Derivative Market? Explain with example

(c) Define PPP theory with example.