Roll No.

Department of Management
School of Management and Business Studies
Jamia Hamdard
ODD Semester Examination - December 2025"
MBA - Semester III

Subject Name: Financial Risk Management **Max. Marks: 60**

Subject Code: MBA-GE-FM-03 **Time: 2.5 Hours**

***Attempt as per instructions.**

(5 x 12 = 60)

NOTE: Attempt any FIVE Questions. All questions carry equal marks

Q1: ABC Ltd. has equity share capital of Rs. 800,000 divided into shares of Rs. 100 each. The company plans to raise an additional Rs. 500,000 for a new project. The following four financing alternatives are under consideration:

- All common stock (equity shares of Rs. 100 each)
- Rs. 200,000 in common stock + Rs. 300,000 in 10% debentures
- All debt at 10% p.a.
- Rs. 200,000 in common stock + Rs. 300,000 in 9% preference shares

Current Earnings before Interest and Tax (EBIT) = Rs. 240,000 Tax rate = 50%. Calculate EPS under each alternative and comment on the impact of financial leverage.

Q2: Distinguish between Risk Avoidance, Risk Reduction, Risk Transfer, and Risk Acceptance. Support your answer with practical examples of each strategy in a corporate context.

Q3: Explain the structure of Financial Institutions in India with the help of a chart. Your answer must cover:
(a) Broad classification into Banking and Non-Banking Institutions
(b) Types of Banking Institutions with examples
(c) Types of Development Financial Institutions (DFIs) with at least one example of each sub-category
(d) Major categories of Non-Banking Financial Entities (NBFCs)

Q4: The credit department of a bank uses the following data of four loan applicants to take lending decisions and to estimate risk parameters:

Applicant	No. of Dependents	Annual Income	Monthly Passbook Outcome*	Existing Loan (₹)	Age	Loan Amount Required (₹)	Credit Bureau Default in last 3 yrs	Income Tax Paid Last Year (₹)
C-1	3	8 L	20K	5 L	40	25 L	50K	Nil
C-2	2	10 L	40K	Nil	45	30 L	No	Not given
C-3	3	7 L	15K	3 L	35	27 L	10K	Not given
C-4	7	12 L	30K	2 L	50	15 L	1 L	Not given

Which applicant is most likely to be rejected outright and why?

Q5: Define Pre-Settlement Risk. How does it differ from Settlement Risk? Explain with practical examples

Q6: "Operational risk is the most underestimated and fastest-growing risk in modern banking." Do you agree? Discuss the reasons for the increasing importance of operational risk in the Indian banking sector with special reference to digitalisation and recent fraud cases.

Q7: With the help of a diagram, explain how commodity price risk arises for an Indian corporate due to global supply-demand imbalances. And also, describe the complete risk transmission mechanism when crude oil prices rise sharply because of production cuts in Saudi Arabia.

Q8: Explain why the Islamic banking model is considered inherently less risky and more stable than the interest-based conventional banking model. Support your answer with practical examples.