

D6BBH2001

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Reg.No.....

Name:

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2023**BBA HONOURS****GBAH6E03T: FINANCIAL RISK MANAGEMENT AND DERIVATIVES****Time: 3 Hours****Maximum Marks: 80****PART A: Answer all the questions. Each carries one mark.****Choose the Correct Answer**

1. Which of the following does not fall under the category of systematic risks?
 - a) Market risk
 - b) Financial risk
 - c) Interest rate risk
 - d) Purchasing power risk
2. Variability in rate of return is known as
 - a) Return
 - b) Risk
 - c) Interest
 - d) Volatility
3. Which of the following is not an example of a derivative on security?
 - a) Index futures,
 - b) Index options,
 - c) Stock futures,
 - d) Interest rate futures.
4. OTC derivatives are considered risky because:
 - a) There is no formal margining system,
 - b) They do not follow any formal rules or mechanisms
 - c) They are not settled on a clearing house,
 - d) All of the above.
5. If the initial margin is Rs.5000, the maintenance margin is Rs.3500 and your balance is Rs.3100, how much must you deposit :
 - a) 1500
 - b) 400
 - c) 1900
 - d) 900

Fill in the Blanks

6. ARCH stands for
7. VaR was developed by
8. does not require as initial payment when signing the contract.
9. risk arises due to adverse movements in the price of financial asset or commodity.
10. is a combination of one call option and one put option with different exercise price but with same expiration date.

(10 x 1 = 10 Marks)**PART B: Answer any eight questions. Each carries two marks.**

11. Distinguish between systematic risk and unsystematic risk.
12. What is equity risk?
13. What is the significance of VaR?
14. What is GARCH?

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15. How to calculate VaR using Covariance method?
16. What do you mean by risk budgeting?
17. What are the types of risk limit?
18. When is risk limit violated in case of stop loss limit?
19. Define operational risk.
20. What are underlying assets?

(8 x 2 = 16 Marks)

PART C: Answer any six questions. Each carries four marks.

21. Explain different types of financial risks.
22. What are the risk management issues in business organizations today?
23. Explain the concept of hedging.
24. What is the Issue of Governance ratings and risk in institutions?
25. Discuss the role of risk management offices.
26. What are the features of financial derivatives?
27. Discuss the types of margin requirements.
28. Write a note on exchange traded derivatives in India.

(6 x 4 = 24 Marks)

SECTION D: Answer any two question. Each carries fifteen marks.

29. Discuss different analysis to measure risk.
30. What are futures? Explain different approaches to pricing of futures.
31. An investor bets a substantial change in the price of a stock but is not sure of the direction in which the change would take place". What different strategies involving option would he adopt?

(2 x 15 = 30 Marks)