

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2025**(Regular/Improvement/Supplementary)****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. _____ is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost.
A. Liquidity risk. C. Equity risk.
B. Interest rate risk. D. Purchasing power risk.
2. Which of the following does not trade on the NSE's Futures and Options segment?
A. Index options. C. Currency futures.
B. Stock options. D. Index futures.
3. Future trading first began at:
A. Chicago Mercantile Exchange.
B. Chicago Board of Trade.
C. London International Financial Futures and Options Exchange.
D. Chicago Board Options Exchange.
4. In futures contract, the maturity period is defined by _____.
A. The exchange. C. The parties to the contract.
B. The RBI. D. The government.
5. Break-even of a call option occurs when spot price is equal to:
A. Strike price + Premium. C. Premium.
B. Strike price – Premium. D. None of the above.

Fill in the Blanks.

6. VAR stands for _____.
7. _____ is just like an option contract where the holder has the right to buy shares of a specified company at a certain price during the specified time period.

(PTO)

8. When a speculator anticipates that the price of an asset will decrease in future, he will _____ futures.
9. GARCH stands for _____.
10. _____ spreads are formed by using the options on the same asset with same strike price but with different expiration date.

(10 x 1 = 10 marks)

PART B: Answer any *eight* questions. Each carries *two* marks.

11. State the cost of carry model.
12. What do you mean by risk reporting?
13. What is ARCH?
14. What is stop loss limit?
15. Give an account on the methods for computing VAR.
16. What are the components of risk limit?
17. Write a note on 5C in credit risk.
18. What do you mean by integrated financial risk management?
19. What is scenario analysis?
20. Define option contract.

(8 x 2 = 16 marks)

SECTION C: Answer any *six* questions. Each carries *four* marks.

21. Elaborate on the characteristics of futures contract.
22. Explain how market risk is measured.
23. What is the usefulness of sensitivity analysis?
24. Discuss briefly the trading mechanism of futures.
25. Explain cost and carry model.
26. What is margin system? Discuss its types.
27. What is the issue of Governance ratings and risk in institutions?
28. Discuss about how interest rate risk is measured.

(6 x 4 = 24 marks)

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

29. Explain the growth and development of derivatives in India.
30. How are strangles different from straddles? Explain about each of these in detail.
31. Define financial risk management. Discuss the need and importance of risk management.

(2 x 15 = 30 marks)