Q.P. Code : 60562

Second Semester M.Com. Degree Examination, July 2019

(CBCS – 2014-15 Scheme)

Commerce

Paper 2.2 – RISK MANAGEMENT

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

1. Answer any **SEVEN** questions out of Ten. Each question carries **2** marks : **(7 × 2 = 14)**

(a) What is market risk?

(b) What is operational risk in bank?

(c) Define credit risk.

(d) What is meant by Value At Risk (VAR)

(e) What is stress testing?

(f) What is meant by European Option?

(g) What is the difference between risk and uncertainty?

(h) Give the meaning of intangible hazards.

(i) Define SWAPs.

(j) What is the difference between futures and forward contract?

SECTION – B

Answer any **FOUR** questions out of Six. Each question carries **5** marks :

(4 × 5 = 20)

2. Explain the interface between Risk and Insurance.

3. Briefly explain the steps in risk management.

4. Explain the use of LIBOR and MIBOR in swap contracts.

5. Write a note on Risk Management of credit derivatives.

6. Explain the process of measurement operational risk.

7. Explain the various types of yield curves.

SECTION – C

Answer any **THREE** questions out of Five. Each question carries **12** marks :
(3 × 12 = 36)

8. Describe the various models available for Managing Credit Risk.

9. Critically examine the tools for risk management.

10. Consider the following data :

The Market price of the option Rs. 36

The exercise price of the call option Rs. 40

The current annualized market interest rate for T bills 10%

The time remaining before expiration - 90 days (25 yrs)

Historical standard deviation : 0.40

Expected standard deviation : 0.50 (Analysis to expect an increase in stock beta because of a new debt issue).

Apply the Black - Scholes formula developed for deriving the value of American Call Option.

11. What is Markowitz diversification? Explain the statistical methods used by Markowitz for reducing risk.

12. Write a note on the following :

(a) Implementation of VA system

(b) Evolution of risk

(c) Technology risk