

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)
- What is market risk?
 - What is operational risk in bank?
 - Define credit risk.
 - What is meant by Value At Risk (VAR)
 - What is stress testing?
 - What is meant by European Option?
 - What is the difference between risk and uncertainty?
 - Give the meaning of intangible hazards.
 - Define SWAPs.
 - 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)

- Explain the interface between Risk and Insurance.
- Briefly explain the steps in risk management.
- Explain the use of LIBOR and MIBOR in swap contracts.

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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. *2, KMV*
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 = 0.81

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