

[2½ Hours]

[Total Marks : 75]

Please check whether you have got the right question paper.

- N.B:**
1. All questions are **compulsory**.
 2. **Figures** to the **right** indicate **full marks** allotted to the question.

Q-1) a) Multiple Choice Questions: (Any 8) (8)

- 1) ERM Matrix has _____ Objectives. (a) 4, (b) 6
- 2) Risk Management is the responsibility of _____ at all levels of an organisation.
(a) Managers, (b) Employees
- 3) Great Depression lasted for _____ years and resulted in massive loss. ((a) 12, (b) 10)
- 4) _____ market leads to reduction in seasonal price variations in commodities.
(a) Spot, (b) Futures
- 5) _____ take advantage of mispricing between different markets. ((a) Speculators, (b) Arbitrageurs)
- 6) Amount that must be deposited in the margin account at the time a future contract is bought is called as _____. ((a) Initial Margin, (b) Maintenance Margin)
- 7) In _____ the world economy faced its most dangerous crisis since the Great Depression of the 1930s. ((a) 2008, (b) 2009)
- 8) _____ option can not be exercised before maturity. ((a) American, (b) European)
- 9) _____ market is standardised in nature. ((a) Forward, (b) Futures)
- 10) _____ defined as difference between futures and spot prices. ((a) Initial Margin, (b) Basis)

b) State whether following statements are True or False: (Any 7) (7)

- 1) Political risk can be reduced by making investment in politically stable countries.
- 2) Trading at BSE & NSE takes place through an open electronic limit order book.
- 3) COSO ERM Framework has ten components.
- 4) Future market provide means of appraising, demand and supply conditions and dealing with price risks.
- 5) Competent Board members, Commitment of ethical values competence and development of people are part of external environment.
- 6) Put option gives right but not obligation to buy an underlying asset on a future date.
- 7) Future expires on last Friday of every month.
- 8) Corporate Bond's returns are risk free.
- 9) Government Bills matures in less than 1 year.

10) Black and Scholes formula is most widely used formula for valuation of options.

Q-2) a) Which are the stepping stones for Equity Market in India? (8)

b) Describe the nature of Bond instruments available in India. (7)

OR

c) Explain types of Derivatives in Indian Securities market. (8)

d) What are the components of ERM framework? (7)

Q-3) a) Write different terminologies used in Option Market. (8)

b) 'Risk Management plays very important role for organisations.' Justify the statement. (7)

OR

c) Who are major players in Derivative Market? (8)

d) What types of investment options are available in Fixed Income securities? (7)

Q-4) a) What role Credit rating plays in Financial markets? (8)

b) What are the basic characteristics of Future instruments? (7)

OR

c) How credit risk can be measured by businesses? (8)

d) Explain the methods available for Option valuation. (7)

Q-5) a) Explain 3 Basel guidelines given for Banking regulations. (8)

b) Gannayak brought 2000 shares of Amitabh Ltd. On 1st march 2017, at Rs. 100 per share. To hedge risk he shorted 2000 shares in futures market @ Rs. 120 per share. On the expiry date i.e. 31st March 2017. The closing price of Amitabh Ltd. is Rs, 125 per share. Calculate the gain or loss to Mr. Gannayak based on his position on 31st march 2017. (7)

OR

c) Write short notes on: (Any 3) (15)

1) Credit Life Cycle

2) Linear Value at Risk

3) Hedging strategies

4) Loan Review Mechanism

5) Measures of Interest rate sensitivity