No. of Printed Pages : **2**

PG-497

II Semester M.Com. (CBCS) Examination, July - 2019

COMMERCE

2.2 : Risk Management

10295

Time : 3 Hours

Max. Marks : 70

Instruction : *Answer **all** the Sections.*

SECTION - A

Answer **any seven** questions out of **ten**. Each question carries **two** marks. **7x2=14**

1. (a) What is principle of subrogation ?
   (b) What is derivative market ?
   (c) What is butterfly spread ?
   (d) What is arbitrage ?
   (e) How interest rate swaps is valued ?
   (f) What is reinsurance ?
   (g) Define Put Call Parity.
   (h) What do you mean by intangible hazards ?
   (i) What do you mean by transaction exposure ?
   (j) What is Retrospective Risk ?

SECTION - B

Answer **any four** questions out of **six**. Each question carries **five** marks. **4x5=20**

2. Consider a 3-month futures contract on NSE – 50. Assume that the spot value of the index is 1100, the continuously compounded risk free rate is 10% per annum and the continuously compounded yield on shares underlying the NSE – 50 index is 3% per annum. Assuming the multiplier to be 50, find the value of the futures contract. Explain briefly the Risk Identification and measurement.

3. What do you understand by the term interest rates ? Discuss the various types of interest rates along with different yield curve.

4. Discuss the recent developments in the Indian insurance sector.

5. Write a note on risk evaluation and risk identification.

6. Explain the concept of Cost of Carry Model.

7. A financial institution quotes an interest rate of 14% per annum with quarterly compounding. What is the equivalent rate with (i) continuous (ii) annual compounding ?

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SECTION - C

Answer **any three** questions out of **five**. Each question carries **twelve** marks.

3x12=36

8. How is the value of an option with time to expiration determined ? What are the various factors affecting option prices ?

9. Explain the different Credit Risk Models.

10. Define Operational Risk Management. Explain the ORM process.

11. The current price of a share is ₹ 50 and it is believed that at end of one month the price will be either ₹ 55 or ₹ 45. What will a European call option with an exercise price of ₹ 53 on this share be valued at, if the risk free rate of interest is 15% per annum ? Also calculate the hedge ratio, applying binominal formulation.

12. Explain the framework of Insurance Business.

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