
Answer any FIVE Questions One Question from Each Unit

All Questions Carry Equal Marks

UNIT-I

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| 1. | a | Explain the concept, nature, and scope of financial risk. | 6M |
| | b | Describe the prerequisites and fundamentals of the risk management process. | 6M |

OR

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| 2. | a | Analyze the integrated approach to corporate risk management. | 6M |
| | b | How can qualitative methods aid in identifying financial risk? | 6M |

UNIT-II

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| 3. | a | Define Value at Risk (VaR) and explain its components. | 6M |
| | b | Analyze the significance of risk avoidance, loss control, risk retention, and transfer. | 6M |

OR

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| 4. | a | Describe how cash flow at risk helps in capital budgeting. | 6M |
| | b | Compare parametric and non-parametric approaches to measuring risk. | 6M |

UNIT-III

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| 5. | a | Discuss the pay-off profile and valuation of forward contracts. | 6M |
| | b | Explain the concept of basis and convergence in futures pricing. | 6M |

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| 6. | a | Discuss the pricing mechanism of forward contracts. | 6M |
| | b | Write a detailed note on the concept of derivative exposure. | 6M |

UNIT-IV

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| 7. | a | Define swaps and explain the types of swaps used in financial risk management. | 6M |
| | b | Evaluate the valuation methods of interest rate swaps at origination. | 6M |

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| 8. | a | Discuss the impact of swaps on managing the cost of international borrowings. | 6M |
| | b | Explain the benefits and limitations of swaps in financial risk management. | 6M |

UNIT-V

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| 9. | a | Distinguish between American and European options with examples. | 6M |
| | b | Analyze the role of options in hedging financial risk. | 6M |

OR

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| 10. | a | Describe the single-period and two-period models in BOPM. | 6M |
| | b | Discuss the risks associated with trading in options. | 6M |

CASE STUDY

11 Analyse the following case:

15M

A Firm 2 Hedged and Unhedged Risk Measures at Horizons 3, 6, 9, and 12 Months

Case	VaR	CVaR
3 Months Horizon		
Un-hedged	38,551	71,253
Hedged	38,551	63,513
6 Months Horizon		
Un-hedged	54,708	136,338
Hedged	54,708	77,261
9 Months Horizon		
Un-hedged	52,243	168,215
Hedged	52,243	77,261
12 Months Horizon		
Un-hedged	65,458	381,372
Hedged	49,662	72,075