

Duration : 2.5 hours

Marks : 75

- All questions are compulsory

Q1. A. Match the following: (Any 8)

(8 Marks)

Sr no	Column A	Sr No	Column B
1	Future events are not known	A	Current account
2	Financial leverage	B	Gold & Silver
3	Risk due to Customers	C	Lock in period 1-3 years
4	DSCR	D	Highly liquid
5	Lack of Counterparty	E	Liquidity risk
6	Mutual Fund Investment	F	Debt service coverage ratio
7	Hedge funds	G	Credit Risk
8	Precious Metals	H	Financial Risk
9	Gold ETF	I	Gold in Demat Form
10	Convertibility	J	Uncertainty

Q no 1 B State whether the following statements are true or false (Any 7)

- Beta of Nifty cannot be measured
- Forex Market is a 24 hour market
- There are 2 kinds of Liquidity Risk
- Real Estate Investments helps to Hedge against inflation
- VaR stands for Value at Risk
- Fund of funds is a Private Equity Fund
- LBO refers to leveraged Buy outs
- To keep Gold as a part of portfolio Investors can invest in gold ETF
- Normal Yeild curve is a straight line
- Nifty comprises of 50 stocks

Q2. A. Explain the Nature of Financial Risk

(8 marks)

B. Explain Business Risk & Its Management process

(7 marks)

OR

C. Distinguish between Mutual Funds & Hedge Funds

(8 marks)

D. Explain Risk Identification faced by an Organisation.

(7 marks)

Q3. A. Calculate the Standard Deviation and Expected Return from the following information:

(8 marks)

	Boom	Normal	Recession
Probability of Occurrence	0.35	0.50	0.15
Rate of return on stock X	20%	30%	40%
Rate of return on stock Y	40%	30%	20%

OR

B Rahul recently forecasted three economic conditions which he believes are likely to occur with given probabilities. Based on these conditions an analyst made the following forecast returns on stock P, Q, R

Conditions	probability	P Returns	Q Returns	R Returns
BOOM	0.30	10%	12%	14%
NORMAL	0.50	20%	16%	18%
RECESSION	0.20	22%	14%	14%

Calculate the Average Return & Standard deviation of the stocks and advise which stock is preferable for investment.

C. Find the value of a bond of HPCL Ltd. from the following Data

Maturity 6 Years

face value of Rs.1000.

Coupon rate is 14% p.a

Required rate of return is 16%.

The coupon is paid annually and the bond is redeemed at a premium of 14%. (8 marks)

D. A Bond is currently trading at Rs. 110 and has a face value of Rs. 100. Maturity is of the bond is 7 years and the coupon rate is 15% (paid semi-annually). What should be the YTM of this bond?

(7 marks)

Q4. A. Discuss the Current V/s Capital Account Convertibility in India (8 marks)

B. What is Market Risk? What are its types? (7 marks)

OR

C. Explain the different methods of managing risk in the forex markets. (8 marks)

D. Explain the Characteristics of Bond Markets (7 marks)

Q5. A. Why do Investors prefer in Investing in Debt Markets (8 marks)

B. What is a yield curve? What are the different types of yield curve? (7 marks)

OR

Q5. Write short notes: (any three) (15 marks)

a. Interest Rate Risk

b. HNWI

c. Quantitative Risk Measurement

d. Exchange Rate Swap

e. Technological Risk
