PG – 500

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II Semester M.Com. Degree Examination, June/July 2018
(CBCS)
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 **two** marks. **(7×2=14)**

   a) Define risk.

   b) What is Risk Mapping ?

   c) Differentiate between Risk and Uncertainty.

   d) What is prospective risk ?

   e) What do you mean by absolute risk ?

   f) What is Back-to-Back loan in derivatives market ?

   g) What do you mean by open cover in ECGC ?

   h) Define risk audit.

   i) What do you mean by back testing ?

   j) What is RAROC ?

SECTION – B

Answer **any four** questions out of **six**. **Each** question carries **five** marks. **(4×5=20)**

2. Discuss the techniques of Risk Control.

3. Explain the causes for technology risk in a business.

4. Explain the importance of "SARA – A Risk Management Strategy" in business.

5. Discuss the functionality of good credit in credit risk management.

6. State the various options for risk mitigation.

7. State the types of natural and human perils in risk management.

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SECTION – C

Answer **any three** questions out of five. **Each** question carries **twelve** marks. **(3×12=36)**

8. Discuss the techniques used in estimating both loss frequency and severity.

9. State the framework of credit risk management process in commercial banks.

10. What is meant by an efficient market ? What are the benefits to the economy from an efficient market in the context of CAPM model ?

11. Consider a six month call option on XYZ Company's stock with an exercise price of Rs.49.68. If XYZ is currently selling at Rs. 60.82 and the risk-free interest rate is 6.75%. What will be the price of the option ? Apply the Black-Scholes model to find call option value by assuming the standard deviation of the rate of return of XYZ stock to be 0.45.

12. The current price of gold is Rs. 842/Troy Ounce. Assume that you initiate a long position in 10 MCX Gold Futures Contracts at this price on 14th Jan., 2018. The initial margin is 8% of the initial price of the futures, and the maintenance margin is 4% of the initial price. Assume the following evolution of gold prices over the next 09 days, and compute the margin account assuming that you meet all the margin calls on time to hedge the risk.

Date	Price per Troy Ounce
14th Jan. 2018	Rs. 842
15th Jan. 2018	Rs. 900
16th Jan. 2018	Rs. 910
17th Jan. 2018	Rs. 880
18th Jan. 2018	Rs. 860
20th Jan. 2018	Rs. 812
21st Jan. 2018	Rs. 769
22nd Jan. 2018	Rs. 711
23rd Jan. 2018	Rs. 789
24th Jan. 2018	Rs. 864