

Code : 302603

B.B.A. 6th Semester Theory Exam., 2017

Risk Management

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The questions are of equal value.
- (ii) There are seven questions in this paper.
- (iii) Attempt five questions in all.
- (iv) Question Nos. 1 & 2 are compulsory.

1. Choose the correct answer (any six): $2 \times 6 = 12$

- (a) When the returns on two assets move together, their covariance is:
 - (i) Positive
 - (ii) Negative
 - (iii) Mismatched
 - (iv) Balanced
- (b) The Proportion of investment in equity and debentures depends on specific objectives of the fund viz:
 - (i) Income
 - (ii) Growth
 - (iii) Risk
 - (iv) Both (i) & (ii)

- (c) A wise investor plans his portfolio on the basis of his:
 - (i) Risk return profile
 - (ii) Preferences
 - (iii) Having money in the bank
 - (iv) Both (i) and (ii)
- (d) When an investor desires to have a real rate of return, which is substantially higher than the inflation rate, then he has to invest in:
 - (i) Shares
 - (ii) Post office deposit
 - (iii) Government Securities
 - (iv) Public Sector Bank
- (e) When market efficiency is in the semi-strong form, stock prices adjust rapidly to:
 - (i) Market Data
 - (ii) Non-Market data
 - (iii) Changes in price of securities
 - (iv) Both (i) & (ii)
- (f) The examples of systematic risk are:
 - (i) Inflation
 - (ii) Change in economic condition
 - (iii) Interest rate changes
 - (iv) All of the above

P.T.O.

Code : 302603

2

- (g) Efficient portfolios are those with minimum risk for a given:
- Expected Return
 - Set of Assets
 - Time Period
 - All of the above
- (h) The out-come of acquiring assets in an ad-hoc and unplanned manner is:
- High Risk
 - Low Return profile
 - Both (i) & (ii)
 - Risky portfolio
- (i) CAPM is based on certain assumptions such as:
- The investor aims at maximizing the utility of his wealth
 - The investors make decisions on sentimental basis
 - Investors aim at maximizing return
 - The investors aim at maximizing wealth
- (j) The systematic risk is market related and it is possible to reduce or eliminate it by:
- Diversification
 - Investment
 - Speculation
 - None of the above

2. Answer any three of the following: $4 \times 3 = 12$

- (a) How is default risk avoided in future contracts?

Code : 302603

3

P.T.O.

- (b) Explain the various ways how risk can be managed.
- (c) What is credit risk associated with a forward contract?
- (d) Define various types of derivatives.
- (e) What are risk adjusted return measures? Give example.
3. What do you understand by risk and what are different ways of classifying and managing them?
4. Define a Swap. Illustrate how interest swap helps to reduce risk exposure.
5. Explain the elements of credit risk.
6. A stock costing Rs. 120 pays no dividends. The possible price that the stock might sell for at the end of the year with the respective probabilities as follows:

Price (Rs.)	Probability
115	0.1
120	0.1
125	0.2
130	0.3
135	0.2
140	0.1

7. Write short notes on:

- Sources of Market risk
- Operational Risk

Code : 302603

4