

**A12**

**Sreenidhi Institute of Science & Technology**

(An Autonomous Institution)

**Code No: 3Z432**

**MBA II - YEAR II – SEMESTER MAY 2015 (REGULAR)**

**FINANCIAL RISK MANAGEMENT**

**Time: 3 Hours Max. Marks: 60**

**Note : No additional answer sheets will be provided.**

**Part – A**

**Max. Marks: 10**

**Answer all the QUESTIONS**

1. What is uncertainty?
2. Why risk is expressed in terms of probability?
3. Give any three examples for derivatives.
4. What is put option?
5. What is hedging?

6. What is a mortgage?

1. What is simulation?
2. How are return and risk related?
3. What is LIBOR?

10. What is portfolio?

**Part – B**

**Max. Marks: 50**

**ANSWER ANY FIVE. ALL QUESTIONS CARRY EQUAL MARKS.**

1. a. What is the role of Break-Even analysis in analyzing risk?

b. Evaluate variance, standard deviation and coefficient of variance as a measure of project risk.

2. a. What are the components of market risk?

b. What is CAPM?

3. a. What are the types of derivatives?

b. ‘Credit sales can improve gross sales, but the problem of increased bad debt can affect profitability.’ How do you balance the two conflicting ends to achieve optimum sale and profit?

4. a. What is a swap contract? How can it minimize risk?

b. What are interest rate options?

5. a. Define exchange exposure and exchange risk and bring out the differences between them.

b. What are the major risks in foreign exchange dealings?

6. a. What are asset backed securities? What are their and limitations?

b. What are the advantages of mortgage based securities?

7. a. How useful is simulation technique in assessing risk?

b. What is the effect of diversification of portfolio on risk?

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