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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION : JUNE – JULY- 2022
SEMESTER - III
Sub: Risk Management (MFM-302)

Date : 05/07/2022

Total marks: 60

Time: 2.00 pm to 4.30 pm

SECTION – I

Q. 1. Choose the suitable alternative: (05)

1. Death of an important employee is known as; _____
 - a) Personal Risk
 - b) Production Risk
 - c) Market Risk
 - d) Environmental Risk
2. The technique of disposing the repairable parts of an old car as scrap is called; _____
 - a) Duplication
 - b) Subrogation
 - c) Separation
 - d) Salvaging
3. Adoption of different accounting methods of conversion of foreign currency is known as; _____
 - a) Transaction Exposure
 - b) Translation Exposure
 - c) Operating Exposure
 - d) None of the above
4. Offsetting exposure in one currency with exposure in the same or another currency is called; _____
 - a) Leading & Lagging
 - b) Sourcing
 - c) Exposure Netting
 - d) Change in the Currency Invoice
5. LIBOR stands for; _____
 - a) London Investment Bank Offered Rate
 - b) London Integrated Banking Offered Rate
 - c) London Inter Bank Offered Rate
 - d) London Internet Banking Offered Rate

Q. 2. Answer the following. (Any Two) (20)

1. Define risk. Exemplify how it differs from peril and hazard? Explain the development of risk management.
2. Explain the different types of exposures with examples of your own.
3. “The development of financial engineering has brought in a new era in the field of risk management”. Elucidate.
4. Is insurance an instrument for risk cover? Discuss.

Q.3. Write short notes on (Any two) (10)

- a. Option Contracts
- b. Financial Engineering
- c. Innovation in Finance

SECTION – II

Q .4. Case Study **(15)**
ABC Ltd. exports shoes to America. Currently it sells 40000 pairs at \$ 20 per piece. Its cost per piece of pair is Rs.200. In addition, it needs to import raw material which costs \$ 12 per pair. The fixed costs of the company are Rs.15,00,000. The current spot rate is Rs.45/\$. Suppose that the rupee appreciates to Rs.40/\$. By how many pairs should the company's sales increase for its profits to remain unchanged?

Q .5. Answer the following. **(10)**
Define hedging. Briefly discuss the various hedging techniques with suitable examples wherever necessary.

OR

A holds 1000 shares of X Ltd. The current market price is Rs.50 per share. The monthly standard deviation is Rs.50. Assuming that the price of the security follows a normal distribution, we can say that the situation will be as follows.

- i) At 68.3% confidence level the price will lie in between Rs.450 and Rs.550.
- ii) At 95.5% confidence level the price will lie in between Rs.400 and Rs.600.
- iii) At 99.7% confidence level the price will lie in between Rs.350 and Rs.650.

Calculate the **Value at Risk (VaR)**.
