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II Semester M.Com. Degree Examination, October - 2023**COMMERCE****Risk Management and Derivatives****(CBCS Scheme)****Paper : 2.2****Time : 3 Hours****Maximum Marks : 70****SECTION - A****Answer any Seven questions. Each question carries 2 marks.****(7×2=14)**

1. a) What do you understand by Unsystematic Risk?
- b) What do you understand by 'Liquidity Risk'?
- c) Mention any 2 sources of Credit Risk
- d) Define VaR
- e) What do you understand by Re-Pricing risk?
- f) Write the meaning of Monte Carlo Simulation
- g) Write two characteristic features of Derivatives
- h) What is Forward Contract?
- i) What is Initial Margin ?
- j) What is Cost of Carry?

SECTION - B**Answer any Four questions. Each question carries 5 marks.****(4×5=20)**

2. Explain the factors due to which Systematic Risk arises in an organization
3. Given the value of a portfolio Rs 4,00,000 and standard deviation is 12% pa. calculate 1 day VaR and 10 days VaR at 99% confidence levels (Table Value of Z=2.58)
4. Explain briefly the different types of Yield Curves

[P.T.O.]



5. A person has invested Rs 1,00,000 each in the following securities and probable returns are as follows

Cash Flow	Year 1(Rs)	Year 2(Rs)	Year 3(Rs)	Year 4(Rs)	Year 5(Rs)	Total
Investment 1	8,000	8,000	8,000	8,000	8,000	40,000
Investment 2	5,000	7,000	14,000	6,000	12,000	44,000

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Investment 2	5,000	7,000	14,000	6,000	12,000	44,000
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Ignoring time value of money calculate ROI on investments and hence calculate RAROC and identify which project is more risky.

6. Bring out differences between Forward and Future Contracts
7. Explain the features of 'Options' Contract

SECTION -C

Answer any Two questions. Each question carries 12 marks.

(2×12=24)

8. The extracts of balance sheet as on 31st March 2021 is as follows.

Liabilities	Rs	Assets	Rs
Equity share capital			
(Shares Rs 100 each)	4,00,000	Fixed Assets	10,00,000
Reserves and Surplus	2,25,000	Trade investments	2,00,000
12% Debentures	3,00,000	Inventory	1,25,000
10% Bank Loan	2,00,000	Accounts Receivables	75,000
Current Liabilities	3,00,000	Preliminary Expenses	25,000
	14,25,000		14,25,000

Additional information

- a) Net sales amounted to Rs 20,00,000
- b) Price earning ratio 10
- c) Dividend pay out ratio = 50%



- d) Dividend per share Rs 20
- e) Corporate tax = 50%

Calculate Altman's Z score and interpret your answer

9. Explain the sources or factors of Operations Risk

10. Consider the following data

Current market price of canara bank share Rs 2500, Strike Price in the options contract Rs. 510, period of options contract 1 year. , expected risk free rate 10% pa , type of option-call, price on maturity upper price Rs 600, down price Rs 400. Calculate the value of option as per binomial model under risk neutral probability

11. Write short notes on

- a) KMV model of Credit Risk Management
- b) CIBIL Score

SECTION -D (Compulsory)

Answer the following question which carries 12 marks

(1×12=12)

12. "Drastic improvements has taken place in Indian Derivative markets during the last 2 decades and today Indian Derivatives Market is one of the most established and trustable markets" Elucidate with necessary in insights.
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