

2Hrs 30Mins

Total Marks: 75

Instructions:

1. All questions are compulsory subject to internal choice.
2. Use of simple calculator is permitted.

Q1A. State whether following statements are true or false (**any8**) (08)

1. A strong MIS helps to manage risks of an organization effectively.
2. The design of risk management largely depends upon the size and nature of an organization.
3. Every trade in forex market is a currency pair.
4. Futures and Options are type of derivatives.
5. Interest rates offered by CD's are generally lower than government securities.
6. Debt funds offer regular interest payments.
7. Micro finance is a developmental intervention rather than traditional banking activity.
8. Amortization refers to paying off a debt over a scheduled period of time.
9. A measure of bond yield is known as basis point.
10. The LIBOR rates are set fortnightly.

Q1B. Match the Column (**any7**) (07)

A	B
1. Participatory notes	a. Risk Enhances
2. Bretton Woods	b. Micro finance
3. Portfolio Downgraded	c. Balance Sheet Ratios
4. Bond prices	d. Market Index
5. Credit Worthiness	e. Insurance
6. Sensex	f. Preventive and Defective Control
7. Safety	g. Gold Standard System and Floating System
8. Transfer Risk	h. Offshore instruments
9. Mohammad Yunus	i. Pre requisite for loan sanction
10. Operational Risk	j. Inversely related to Interest Rates

Q2 A.Explain the nexus between Corporate Governance and Risk Management practices. (08)

B. Discuss in brief the causes and impact of collapse of Lehman Brothers in 2008 on world's financial system. (07)

OR

Q2 A. Explain the eight components of COSO ERM Integrated Framework in brief. (08)

B. Calculate capital adequacy ratio i.e. total capital to risk weighted exposures ratio for Kaira Bank using the following information: (07)

	Exposure(in 000's)	Risk Weight
Government Treasury held as asset	7,500	0%
Loans to Corporates	12,000	20%
Loans to Small Businesses	4,000	30%
Guarantees and other non-balance sheet exposures	300	100%

The bank's Tier 1 Capital and Tier 2 Capital are 700 thousand and 1100 thousands respectively.

- Q3 A. Explain the trading mechanism of equity markets in India (08)
 B. Explain the difference between Commodity and Financial Derivatives. (07)

OR

- Q3 A. Discuss the Capital standards under Basel II and Basel III norms. (10)
 B. LSK security has a standard deviation of 0.75 and a 0.8 correlation with the market portfolio. The market portfolio is now expected to have a standard deviation of 0.14. Find out the security beta. (05)

- Q4 A. Explain in brief the steps involved in Monte Carlo Simulation. (08)
 B. Explain the need and importance of Micro finance with special reference to India. (07)

OR

- Q4 A. Calculate the net pay off for the holder of call option in each case with the help of following information - (08)
 The holder has an obligation to pay premium of Rs 500 in each case.

SR.no	Exercise Price	Current Market Price
1.	5200	4520
2.	2486	2495
3.	3890	4200
4.	4780	5150

- Q4 B. Explain the objectives of loan review mechanism in banking sector. (07)

- Q5 A. Critically Evaluate GAP analysis as measure of risk. (08)
 B. Discuss the factors influencing sanction of agricultural loan from bank's perspective. (07)

OR

- Q5 Write Short notes on **any 3** (15)
 1. Systematic Risk
 2. Credit Life cycle
 3. VaR
 4. Certificate of Deposit
 5. Collateralized Bond Obligation.
