

# Risk Management

QP 30924

Q1A

True : 1, 3, 4, 5, 6, 7, 8, 9, 10.  
False : 2

B Match the column

1	-	<u>VII</u>
2	-	<u>VI</u>
3	-	<u>X</u>
4	-	<u>IX</u>
5	-	<u>VIII</u>
6	-	<u>II</u>
7	-	<u>V</u>
8	-	<u>I</u>
9	-	<u>III</u>
10	-	<u>IV</u>

Q2B Option - Put (Holder) Premium 600. → Smita Broker.

CM	EP	Option Exercised	Premium	Net Payoff
4700	5000	YES	600	300 - 600 (300)

Pay off - Kadam Brokers ⇒ ₹ 300  
→ Smita Brokers ⇒ (300)

of ₹6400 (Smita Brokers)

C.M.	EP	Option Exercised	Net payoff
6400	5000	No	(600)

Net Pay off of Kadam Bros ⇒ ₹600  
Smita ⇒ (600)

Q3B

Security Beta :  $\frac{\sigma_S}{\sigma_M} \times \beta_m$

$$= \frac{0.76}{0.43} \times 3.4$$

$$= \underline{\underline{6.}}$$

Q5

B. Bank's total capital = 700 + 300 = 1000 lakhs

$$RWE = (5000 \times 10\%) + (8000 \times 19\%) + (400 \times 90\%) + 8000 \times 100\%$$

$$= 500 + 1520 + 360 + 8000$$

$$= 10380$$

$$CAR = \frac{\text{Bank's total capital}}{RWE} \times 100$$

$$= \frac{1000}{10380} \times 100$$

$$= 9.23\%$$