



Nagarjuna Degree College
38/36, Ramagondanahalli,
Yelahanka Hobli. Reg. No
Bengaluru - 560 064.

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II Semester M.Com. Degree Examination, November - 2022

COMMERCE

Risk Management and Derivatives

(CBCS New Scheme)

Paper : 2.2

Time : 3 Hours

Maximum Marks : 70

SECTION - A

Answer any Seven Questions out of Ten. Each question carries Two marks. (7×2=14)

1. a) What is Perils under Risk?
- b) Mention the components of Credit risk.
- c) List out few risk management practices followed by Insurance Companies.
- d) Give the meaning of stress Testing.
- e) What do you mean by Derivatives?
- f) Give the meaning of Mark to Market.
- g) What do you mean by Speculator in Derivatives Market?
- h) Give the meaning of Forward contract.
- i) Write any two differences between American and European Option.
- j) What is off Balance sheet Risk?

SECTION - B

Answer any Four Questions out of Six. Each Question Carries Five Marks.

(4×5=20)

2. Explain the challenges faced by the Business due to risk.
3. What is Yield Curve? Explain the types of Yield Curve.
4. What are the factors contributing to the growth of Derivatives Market in India?
5. Explain KMV model of Credit Risk.
6. If one day VaR of a Portfolio is Rs. 100000 with at 90% , 95% and 99% confidence level. In a period of 1 year of 280 trading days, how many times the loss on the portfolio may exceed Rs. 100000.

[P.T.O.]



7. Consider a 6 month future contract on 100 shares with a price of Rs 40. The risk free rate (Continuously compounded) is 10% p.a. Calculate the value of the future Contract.

SECTION -C

Answer any Two Questions out of Four. Each question carries Twelve Marks.

(2×12=24)

8. Explain the Classification of Risk and steps in Risk Management.
9. The Stock Price 6 months from the expiration of an option is Rs. 84, the exercise price of the option is Rs. 80, risk free interest rate is 11% per annum and the volatility is 22% per annum. Calculate the value of Call Option, Put Option and Break Even using Black-Scholes Option Pricing Model.
10. Explain the following ,
- Credit risk mechanism of CIBIL.
 - Operations Risk
 - Margin and Its types.
11. Define Derivatives. Explain the types of Derivatives Instruments in detail.

SECTION - D

Answer the following Question (Compulsory question)

(1×12=12)

12. Mr. Z wants to make an Investment in ABC Company Limited. Suggest Mr. Z regarding the Investment using Altman Z Score Model. The details of company ABC are follows,

Particulars	Amount in Lakhs (Rs.)
Assets	
Current Assets	60
Non-Current Assets	80
Total Assets	140
Equity And Liabilities	
Equity	65
Current Liabilities	35
Other Liabilities	40
Total Liabilities	140



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- a) Earnings before Interest and Tax are Rs. 50 Lakh and Earnings after Tax is Rs. 35 Lakh.
 - b) Company Dividend Payout Ratio is 70% and The Company is maintaining Remaining 30% as a Retained Earnings. Earnings available for Equity Shareholders are Rs. 20 lakh.
 - c) The Company Made Rs. 30 Lakh Sales During the year.
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