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**GANDHI INSTITUTE OF ENGINEERING AND TECHNOLOGY UNIVERSITY, ODISHA, GUNUPUR  
(GIET UNIVERSITY)**

M.B.A. (Fourth Semester) Regular Examinations, May – 2025

**23MBAFM24011 – Financial Risk Management  
(MBA)**



Time: 3 hrs

Maximum: 60 Marks

**(The figures in the right hand margin indicate marks.)**

**PART – A**

**(2 x 5=10 Marks)**

Q.1. Answer **ALL** questions

	CO #	Blooms Level
a. Define Dodd frank act	CO4	K1
b. Define Scenario Analysis	CO5	K1
c. Define Stress Testing	CO5	K1
d. Define Nonfinancial risk	CO3	K1
e. Define Risk	CO1	K1

**PART – B**

**(10 x 5 = 50 Marks)**

Answer **all the** questions

	Marks	CO #	Blooms Level
2. a. How would you break down and analyse each step of the risk management process in a financial institution?"	10	CO1	K4
OR			
b. How would you apply risk management principles to improve decision-making in a financial institution?"	10	CO1	K3
3. a. How would you apply different methods to measure market risk in a financial portfolio?"	7	CO2	K3
b. Draft a short notes on VAR	3	CO2	K2
OR			
c. How would you apply diversification techniques to manage market risk in an investment portfolio?"	10	CO2	K3
4. a. "Analyse the evolution from Basel II to Basel III in terms of risk coverage and regulatory focus.	10	CO4	K3
OR			
b. "Critically evaluate the different types of financial risk—such as credit risk, market risk, operational risk, and liquidity risk—in terms of their impact on organizational performance.	10	CO1	K5
5. a. Draft a short notes capital allocation	5	CO5	K2
b. Draft a short notes Stress Testing	5	CO5	K2
OR			
c. Evaluate the impact of emerging technologies such as artificial intelligence, Fintech, and Machine learning on financial risk management practices	10	CO5	K5
6. a. Apply scenario analysis and stress testing techniques to assess the resilience of a financial institution during an economic downturn.	10	CO5	K3

OR

**Background:** Shield Bank is a mid-tier commercial bank operating in Southeast Asia, offering retail loans, SME financing, and trade services. In early 2021, the bank aggressively expanded its small business loan portfolio to boost profitability during economic recovery from the pandemic.

**Challenge:** By mid-2022, a wave of loan defaults emerged due to inflationary pressures and supply chain issues. Nearly **15% of the SME portfolio** turned non-performing (NPL), impacting the bank's capital adequacy and liquidity ratios.

**Risk Management Response:** Shield Bank's risk management team responded with:

- **Enhanced credit risk assessment models** including sectoral stress tests,
- Reclassification and tighter limits on high-risk industries (e.g., hospitality, retail),
- Formation of a **special asset resolution unit** for restructuring problem loans,
- Launch of **risk dashboards** using real-time monitoring metrics like probability of default (PD) and loss given default (LGD).

**Outcome:** By early 2023, Shield Bank stabilized its non-performing loan ratio to 8%, with early warning systems catching risky borrowers faster, and improved risk-weighted asset allocation aiding regulatory compliance.

**"How would you apply financial risk management strategies to control credit exposure in a commercial bank like Shield Bank?"**

End of Paper