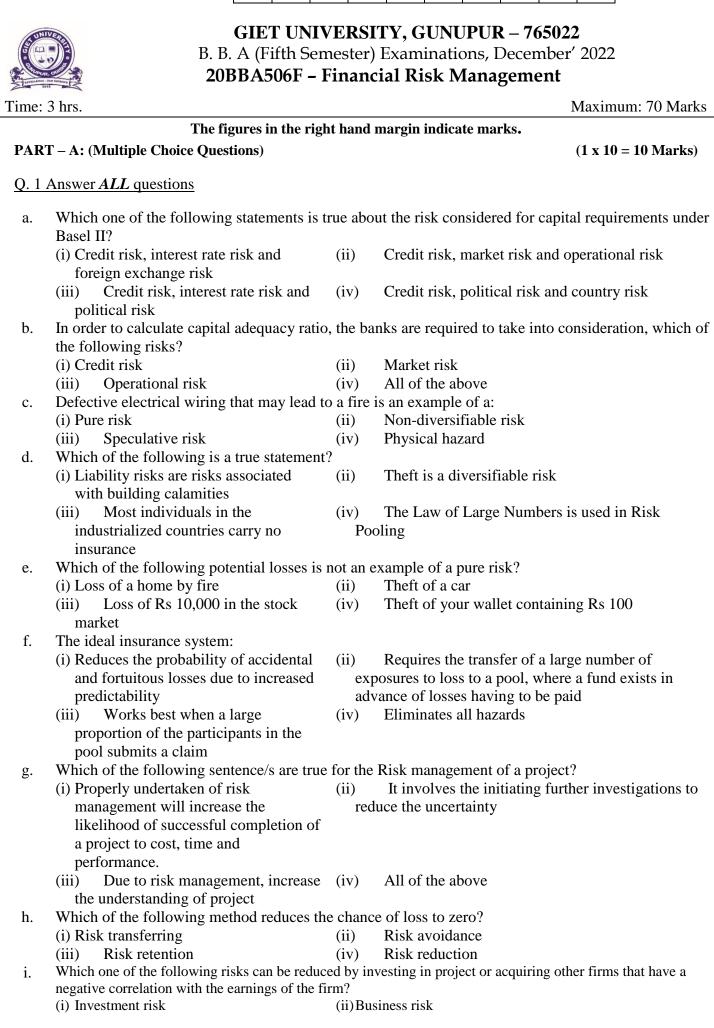
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USD = 50 AUD. After one year, the exchange rate is expected to be 1 USD = 47 AUD. Advise which

PART – B: (Short Answer Questions) Q.2. Answer ALL questions What causes financial risk? a. h. What is interest rate risk? Describe purchasing power risk. с.

- Differentiate between risk avoidance and risk reduction. d.
- Define RMIS. e.

(iii)

(iii)

j.

Why variance is criticised as a measure of risk?

Financial risk

(i) An event that offer no opportunity for

A diversifiable risk

A pure risk is defined as:

financial gain

- Find the four criteria that are essential for effective risk management.
- h.
- Write the four common types of forecasting models. i.
- Define Asset Pricing. j.

PART – C: (Long Answer Questions)

Marks Answer ALL questions 5 3.*a*. What causes risk? How best you will treat it. Compare and contrast between traditional risk management and enterprise risk management. 5 *b*. (\mathbf{OR}) A stock costing Rs 120 pays no dividends. The possible prices that the stock might sell for at the end 10 С. of the year with the respective probabilities are: Price (in Rs) 125 130 135 140 115 120 Probability 0.1 0.1 0.1 0.1 0.1 0.1 i) Calculate the expected return ii) Calculate the standard deviation of returns What is Financial Risk? Explain various types of financial risk. 10 4.*a*. (OR)What is Project Risk Management? List the various needs of project risk management. 10 *b*. State the various risks involved in Asset Liability Management. 10 5.a. (\mathbf{OR}) What is ERM? Discuss the drivers of an effective ERM System. 10 *b*. How a NDF works? Explain it briefly. 5 6.*a*. What is exchange rate risk? Find its disadvantages. 5 b. (\mathbf{OR}) Discuss different forecasting models and how it helps the risk manager to visualize the different 5 С. patterns of data. A US-based multinational wishes to invest surplus funds of USD 10 million. It can invest the same in 5 d. US corporate bonds and earn a return of 5% p.a. The treasurer is considering another option to invest the same in an Australian corporate bonds and get a return of 10% p.a. The exchange rate today is 1

- f.
- g.
- List out the benefits of ERM.

investment is better.

(10 x 4 = 40 Marks)

 $(2 \times 10 = 20 \text{ Marks})$

- Portfolio risk (iv)
- (ii) The chance a loss will occur

(iv) A contingency that increases the chance of a loss