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GIET UNIVERSITY, GUNUPUR – 765022
B. B. A (Fifth Semester) Examinations, November – 2023
21BBAFN35006 – Financial Risk Management

Time: 3 hrs

Maximum: 60 Marks

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

PART – A**(2 x 10 = 20 Marks)**Q.1. Answer **ALL** questions

| | CO # | Blooms Level |
|---|------|--------------|
| a. How risk avoidance is different from risk reduction? Give an example. | CO1 | K2 |
| b. Describe purchasing power risk. | CO1 | K2 |
| c. Find the four criteria that are essential for effective risk management. | CO2 | K2 |
| d. Write the 5 pillars of operational risk management. | CO2 | K1 |
| e. Write most preferred tools of project management. | CO3 | K1 |
| f. Find out the ways to mitigate IT project risk. | CO3 | K2 |
| g. Find the methods that are used by a risk manager to respond the financial risks. | CO4 | K1 |
| h. How asset prices are determined? | CO4 | K1 |
| i. Define judgemental forecasting model. | CO5 | K2 |
| j. Write the types of foreign exchange risks. | CO5 | K1 |

PART – B**(8 x 5 = 40 Marks)**Answer **ALL** the questions

| | Marks | CO # | Blooms Level |
|--|-------|------|--------------|
| 2. a. Define RMIS. Why do organisations invest in RMIS? | 8 | CO1 | K2 |
| (OR) | | | |
| b. A stock costing Rs 120 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probabilities are: | 8 | CO1 | K3 |

| Price (Rs) | Probability |
|------------|-------------|
| 115 | 0.1 |
| 120 | 0.1 |
| 125 | 0.2 |
| 130 | 0.3 |
| 135 | 0.1 |
| 140 | 0.1 |

- i) Calculate the expected return
 ii) Calculate the standard deviation of returns
- 3.a. Compare and contrast between traditional risk management and enterprise risk management. 8 CO2 K2

(OR)

- | | | | | |
|------|---|---|-----|----|
| b. | What is credit risk management? Elaborate briefly the steps involved in credit risk management process. | 8 | CO2 | K2 |
| 4.a. | Discuss the various steps of risk identification. | 8 | CO3 | K2 |
| (OR) | | | | |
| b. | What is Project Risk Management? List the various needs of project risk management. | 8 | CO3 | K1 |
| 5.a. | Discuss different forecasting models and how it helps the risk manager to visualize the different patterns of data. | 8 | CO4 | K2 |
| (OR) | | | | |
| b. | What is ERM? Discuss the drivers of an effective ERM System. | 8 | CO4 | K1 |
| 6.a. | A US-based multinational wishes to invest surplus funds of USD 10 million. It can invest the same in 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 USD = 50 AUD. After one year, the exchange rate is expected to be 1 USD = 47 AUD. Advise which investment is better. | 8 | CO5 | K4 |
| (OR) | | | | |
| b. | What is Delphi method? How it is used for forecasting business model? Explain with an example. | 8 | CO5 | K1 |

--- End of Paper ---