

B. Voc. Banking & Financial Services - 6th Sem.

(2517)

Paper-BVC-603: Financial Risk Management**Time allowed: 3 hrs.****Max. Marks: 50****Section A****Note: Attempt all parts of this section. Each part carries 1 mark.**

1. Explain the following

- (i) Risk
- (ii) Uncertainty
- (iii) Credit risk
- (iv) Currency futures
- (v) Speculation
- (vi) Systematic risk
- (vii) Options contract
- (viii) Liquidity risk
- (ix) Foreign exchange risk
- (x) Hedging

Section B**Note: Attempt any two questions. Each question carries 10 marks.**

2. What do you understand by financial risk faced by a manufacturing organisation. Explain sources of financial risk to the organisation.
3. Differentiate between futures and forward contract. Support your answer with appropriate examples.
4. What do you understand by risk; explain different types of risks faced by a business organisation.
5. What do you understand by transaction exposure. Briefly explain strategies to manage transaction exposure.

Section C**Note: Attempt any two questions. Each question carries 10 marks.**

6. Explain the factors affecting price of a call option against a common stock of a company.
7. Explain in detail the currency option contracts available on Indian exchanges (e.g. National Stock Exchange).
8. Explain with the help of an illustration the utility of commodity futures contracts when (i) a cotton ginner is planning to purchase cotton after 2 months (ii) a farmer is planning to sell his cotton produce after 2 months.
9. Explain with the help of an illustration the structure and operation of a standard currency swap.