

Exam. Code : 110106

Subject Code : 3857

Bachelor of Vocation (Banking & Financial Services)

6th Semester

FINANCIAL RISK MANAGEMENT

Paper-BVC-603

Time Allowed—3 Hours]

[Maximum Marks—50

SECTION-A

Note :— Attempt all part of this section. Each part carries
1 mark.

1. Explain the following :

- (i) Uncertainty
- (ii) Credit risk
- (iii) Operational risk
- (iv) Coupon
- (v) Forward Contract
- (vi) Options contract
- (vii) Swap
- (viii) Business risk
- (ix) European style option
- (x) Unsystematic risk.

SECTION-B

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

2. What do you understand by Business risk faced by a manufacturing organisation ? Explain the sources of financial risk to the organisation.
3. Explain the differences between exchange traded futures contract and a forward contract. Support your answer with appropriate examples.
4. Describe the following in detail. Support your answer with examples.
 - (a) Hedging
 - (b) Futures.
5. Describe the following with the help of suitable examples:
 - (a) Interest rate risk
 - (b) Commodity risk.

SECTION-C

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

6. Write notes on the following :
 - (a) Margin system in futures trading
 - (b) Structure of a standard interest rate swap.

7. Explain the factors affecting price of a put option against a common stock of a company.
8. Explain in detail the currency option contracts available on Indian exchanges (e.g. National Stock Exchange).
9. Explain with the help of an illustration the utility of commodity futures contracts when :
 - (i) Titan company is planning to purchase gold after 1 month.
 - (ii) A farmer is planning to sell his cotton produce after 1 month.