

**Bachelor of Vocation (Banking & Financial Services) - 6th Sem.**

(2519)

**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) Hedging
- (ii) Futures contract
- (iii) Foreign exchange risk
- (iv) Currency options
- (v) Hedgers
- (vi) Market risk
- (vii) Floating rate
- (viii) Stock option
- (ix) Risk Management
- (x) Standard coupon

**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 sources of business risk to the organisation.
- 3. Differentiate between futures and options contract. Support your answer with appropriate examples.
- 4. Describe the following in detail. Support your answer with examples.
  - a) Hedging
  - b) Speculation
- 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. Explain the factors affecting price of a call option against a common stock of a company.

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7. Explain in detail the currency futures contracts available on Indian exchanges (e.g. National Stock Exchange).
8. Explain with the help of an illustration the process of hedging and speculation with the help of stock futures.
9. Explain with the help of an illustration the structure and operation of a standard interest rate swap.

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