R19

Code No: 764AG

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV Semester Examinations, February - 2024

RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Time: 3 Hours **Max.Marks:75**

Note: i) The Question paper consists of Part A and Part B.
ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.
iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, and b as sub-questions.

PART - A

(25 Marks)

1.a) Explain the types of risks that organizations encounter. [5]
b) What is Value at Risk (VaR) and how it is different from Cash Flow at Risk (CaR)? [5]
c) Explore the use of forward contracts in managing commodity-related risks. [5]
d) Differentiate between cash and physical delivery in future contracts. [5]
e) What are the factors influencing option values and cash payouts? [5]

PART – B

(50 Marks)

2. Discuss the scope of risk management and its relevance in today's business environment. [10]

OR

3. How do risk models assist in identifying and measuring risks in an organization? [10]

4. Describe the impact of interest rate risk on financial institutions and the strategies employed to manage it. [10]

OR

5. Discuss liquidity risk, market risk, credit risk, and their respective influences on organizations. [10]

6. a) Assess the counterparty risk associated with forward contracts it.
b) For example on January of a particular year the cash price of TCS stock was Rs.7500 and price for December of the same years future contract was Rs.7000. Financing cost was 10% per annum.
Calculate the carrying cost for 11 months and also calculate the implied convenience yield. [5+5]

OR

7.a) Examine the pricing of future contracts and the role of expected future spot prices.
b) Describe the strategies to mitigate. [6+4]

8. The following put option contracts in respect of an equity stock expire by this month end. Current market price of the stock is Rs 5400. The details of Put option contracts entered at different strike prices, different premiums are given below.

Put option price (Premium in Rupees)	40	50	60	70	80
Strike Price (In Rupees)	5200	5300	5400	5500	5600

Identify;

a) In-the-money, At-the-money, and Out-of-the money options.

b) Determine intrinsic value and time value of the options at different strike prices. [10]

OR

9.a) Describe the process of option pricing, including arbitrage pricing.

b) Suppose you buy a put option contract on January for gold futures with a strike price of $ 700 per ounce. Each contract is for the delivery of 100 ounce.
What happens if you exercise when January future price is $ 650 and the most recent settlement price is $ 680? [5+5]

10. Explain the pricing and valuation of interest rate swaps and their impact on financial institutions. [10]

OR

11. Explore the concept of Swapations and their role in managing financial risks. [10]

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