BONAM VENKATA CHALAMAYYA INSTITUTE OF TECHNOLOGY & SCIENCE
(AUTONOMOUS)
II – MBA II - Semester Regular Examinations (BR23), May - 2025

Financial Risk Management & Derivatives (MBA)

Time: 3 hours   Max. Marks: 70

PART - A Answer ONE Question from each UNIT (5 x 12 = 60 Marks)
All Questions Carry Equal Marks
PART - B Compulsory (1 x 10 = 10 Marks)

PART -A

	UNIT-I	Marks	CO	BL
1.a)	Define risk.Discuss its nature and scope in the context of modern business.	6M	CO1	1
b)	Classify the process of risk identification.	6M	CO1	2
	OR			
2.a)	Determine the internal risk reporting process and its significance in corporate governance.	6M	CO1	5
b)	Elaborate on different types of risks faced by organizations and provide suitable examples.	6M	CO1	6

	UNIT-II	Marks	CO	BL
3.a)	Define Value at Risk (VaR). Discuss its importance and application in risk management.	6M	CO2	1
b)	Evaluate the concept of stress testing in risk management? How is it different from back testing?	6M	CO2	5
	OR			
4.a)	Outline the evolution of ALM and the factors that contributed to its development.	6M	CO2	2
b)	Differentiate between CaR and VaR. In risk management	6M	CO2	4

	UNIT-III	Marks	CO	BL
5.a)	Define derivatives. Discuss the different types of derivatives.	6M	CO3	1
b)	Identify the regulatory framework for derivatives trading in India.	6M	CO3	3
	OR			
6.a)	Identify SEBI guidelines related to derivative trading and their objectives.	6M	CO3	3
b)	Discuss the advantages and risks associated with derivative instruments.	6M	CO3	6

	UNIT-IV	Marks	CO	BL
7.a)	Interpret the process and benefits of hedging using futures contracts.	6M	CO4	2
b)	Compare stock index futures, and commodity futures.	6M	CO4	4
	OR			
8.a)	Estimate how beta is used in futures contracts to determine the optimal hedge ratio.	6M	CO4	5
b)	Analyze the payoff structure of forward and futures contracts.	6M	CO4	4

	UNIT-V	Marks	CO	BL
9.a)	Differentiate between European and American options and their exercise features.	6M	CO5	4

b)	Elaborate various option strategies and their associated payoffs.	6M	CO5	6

OR

10.a)	Describe the mechanics of interest rate swaps with an example.	6M	CO5	2
b)	Analyze the concept of put-call parity and its application in arbitrage.	6M	CO5	4

PART – B

		Marks	CO	BL
	### CASE STUDY			
11	A call option with an exercise price Rs 3000 at a premium of Rs 45 is purchased by an investor. If spot price on the date of transaction is Rs 2940; on expiry which might happen to be Rs 3060; Rs 3120; Rs 3180; Rs 3240; Rs 2940; Rs 2880; Rs2820 and so on. Calculate the intrinsic value and the time value of the option. Also show what will be the profit or loss for the buyer of the option.	10M	CO5	3

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