Program: T.Y.B.Com(MS) **Semester:** V **Program Code:** UGMS02

Course: Risk Management **Course Code:** NUMS505

Duration: 1 Hour **Examination Pattern:** NEP-Autonomous-External **Max. Marks:** 30

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.
4. CO (Course Outcome), KL (Knowledge Level).
5. Attempt Any two questions from Q2 to Q4

Examination:

REGULAR

Q. 1		**Answer the following.**					[10]	CO's	KL's
	(a)	**Fill in the blanks with an appropriate answer from the alternatives given.**					[05]	CO1,CO2	L1,L2
		I	Risk and Return have what relationship with each other?						
			a.	Direct	b.	Indirect			
			c.	Straight	d.	Inverse			
		II	What refers to gain expected by investor from investment made by him?						
			a.	Return	b.	Risk			
			c.	Cash flow	d.	Security Price			
		III	What is the risk business suffer by extending credit to customers?						
			a.	Company Financial risk	b.	Business risk			
			c.	Liquidity risk	d.	Credit risk			
		IV	What is one of the most widely used techniques to determine the creditworthiness of Borrower?						
			a.	Credit rating	b.	Ratio analysis			
			c.	Market risk	d.	Liquidity Insurance			
		V	What category of Stakeholders looks to maximize their wealth.						
			a.	Unions	b.	Government			
			c.	Employees	d.	Owner and investors			
	(b)	**State whether the following statements are true or false.**					[05]	CO's	KL's
		I	Risk refers to the possibility of loss or an uncertain event.					CO1,CO2	L1,L2
		II	Risk management aims to eliminate all risks completely.						
		III	Business risk arises from business operations.						
		IV	Financial risk is unrelated to money or finance.						

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	V	Risk identification is the first important step in risk management.			
Q. 2		**Solve the following.**	**[10]**	**CO's**	**KL's**
		Portfolio Beta & CAPM Calculation		**CO3**	**L3**

Year	Return on Portfolio P (%)	Return on Market Portfolio M (%)
1	15	12
2	18	10
3	20	15
4	15	15
5	10	12
6	14	14
7	15	15
8	16	20
9	20	22
10	10	15

Required:

(a) Calculate Beta of Portfolio P

(b) Calculate Expected Rate of Return (CAPM) given GoI rate = 15%

(c) Assess performance using Jensen's Alpha.

Q. 3		**Solve the following.**	**[10]**	**CO's**	**KL's**
		Expected Return & Standard Deviation (Stock M & N)		**CO4**	**L3**

Situation	Probability	Stock M (Return %)	Stock N (Return %)
Normal	0.3	25	22
Recession	0.2	40	30
Boom	0.5	-10	15

Q. 4		**Solve the following.**	**[10]**	**CO's**	**KL's**
		With the help of following information determine which stocks are overvalued and which are undervalued.		**CO5**	**L4**

Stocks	Actual Returns (%)	Beta
A	19	1.6
B	15	0.8
C	23	1.2

Return on Market portfolio (Rm)=20%

Risk free rate of return (Rf)=15%

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