Program/Sem:	T.Y.B.M.S – Sem - V	Course:	RISK MANAGEMENT
Program Code:	2M00155	Course Code:	46015

| Duration: | 2 ½ Hour | 0 8 NOV 2025 | Max. Marks: | 75 |

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Q. 1   **Attempt the following.**

A. **Fill in the blanks with an appropriate answer from the alternatives given.(Any 8)**   **[08]**

i). Term insurance provides:

    (a) Pure risk cover for a fixed period   (b) Investment with maturity benefit

    (c) Cover for house property   (d) Lifetime pension

ii). In SWOT analysis, external factors are:

    (a) Strengths & Weaknesses   (b) Opportunities & Threats

    (c) Risks & Returns   (d) Assets & Liabilities

iii). The purpose of risk assurance is:

    (a) Eliminate all risks   (b) Transfer all risks to insurer

    (c) Provide confidence that risks are (d) Maximize shareholder returns
        managed effectively

iv). Which measure separates systematic and unsystematic risk?

    (a) Beta   (b) Standard déviation

    (c) Alpha   (d) Variance

v). Risk monitoring ensures:

    (a) No new risks arise   (b) Risks are continuously reviewed and updated

    (c) Insurance coverage is sufficient (d) Capital structure remains unchanged

vi). Which of the following is a strategic risk?

    (a) Cyber attack   (b) Machine breakdown

    (c) Product obsolescence   (d) Earthquake

vii). Forward contracts are:

    (a) Exchange traded   (b) Standardized

    (c) OTC agreements   (d) Hedged only

viii) Which of the following is NOT a type of general insurance?

    (a)   Fire   (b)   Motor

    (c)   Marine   (d)   Endowment

ix). Which of the following is NOT a risk control technique?

    (a)   Avoidance   (b)   Diversification

    (c)   Speculation   (d)   Risk transfer

x).   Which of the following is NOT a risk response strategy?

    (a)   Avoidance   (b)   Hedging

    (c)   Mitigation   (d)   Overstatement

B.   True or False: (Any 7)   **[07]**

    i).   Forward contracts are standardised and traded on exchanges.

    ii). Fire, marine, and motor insurance are examples of life insurance.

    iii). External auditors are part of the three lines of defence.

    iv). A risk register records only financial risks.

    v). A positive alpha indicates underperformance of a portfolio.

    vi). Hedging involves taking positions to reduce risk exposure.

    vii). Risk assurance activities strengthen governance.

    viii) Operational risk includes risks from people, processes, and systems failures.

    ix). Risk identification precedes risk analysis.

    x). Variance and standard deviation are both risk measurement tools.

Q. 2   **Attempt either A or B.**   **[15]**

A.   What is Risk? Explain in detail the various types of risk?   **[15]**

<div align="center">OR</div>

B.   The following are the details of 4 mutual funds: **[15]**

Scheme	Opening Value	Closing Value	Dividend Declared	Beta
MF H	50	60	5	1.2
MF I	40	44	0	0.8
MF J	30	39	3	1.5
MF K	25	26	2	0.6

Risk-free rate (GoI Bonds) = 10% ; Market return (Nifty) = 15%

Required:
i) Calculate Alpha for all funds.
ii) Evaluate the performance.
iii) Rank the funds.

Q. 3   **Attempt either A or B.**   [15]

A.   What is Risk Management Process? Explain diversification as a tool of Risk management.   [15]

OR

B.   The following details are available :   [15]

Year	Rate of return (%)		
	Portfolio M	Portfolio N	Market Portfolio
1	20	25	18
2	25	22	22
3	22	25	20
4	24	20	24
5	16	22	18

i.   Calculate Beta of both the portfolios M & N
ii.   Calculate Expected Rate of Return (CAPM) given that GoI rate of return is 15%.
iii.   Assess the performance of the portfolios based on Jensen's Alpha

Q. 4   A.   Attempt either A or B.   [15]

a)   Explain the Enterprise Risk Management Matrix.   [08]

b)   Who are the stakeholders of an organisation? Elaborate.   [07]

OR

B.

c)   The following is the information of Stock A and Stock B under the possible states of nature :   [15]

State of nature	Probability	Return A(%)	Return B(%)
1	0.10	5%	0%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

a.   Calculate the expected rate of return for Stock A & Stock B
b.   Calculate the Standard Deviation of Stock A & Stock B
c.   Suggest the choice of stock that you would prefer.

Q. 5   **Attempt either (A and B) or C.**   [15]

A.   Explain the types of life insurance.   [08]

B. Find the Fair Premium if: [07]

Policy provides full coverage

Underwriting costs = 18% of pure premium

Claims are paid at the end of the year

Interest rate = 9%

Claim processing costs = ₹2,500

Fair profit = 6% of pure premium

Loss probabilities (per policy):

Loss (₹)	Probability
250,000	0.03
150,000	0.07
75,000	0.20
0	0.70

OR

C. Short Note: (Any 3) (5 marks each) [15]

a) Reinsurance

b) Derivatives

c) Risk Assurance

d) Corporate Governance

e) General Insurance

-- X -- X --