| Name:

Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End-Semester Examination, May 2020

Course: Enterprise Risk Management FINC8005   Semester: IV
Programme: MBA BA

Time: 3 Hrs   Max. Marks: 100
Instructions:

SECTION A

S. No.	Attempt all questions	Marks	CO

Q1	Risks associated with counter-party default are termed as
	    a) Settlement Risks c) Market Risks
	    b) Credit Risks d) Operational Risks
		5	CO4

Q2	**Arbitragers take advantage of _____ in the markets?** (a) Hedgers (b) Volatility (c) Mispricing (d) Speculators	5	CO2
Q3	The forward rate for any two currencies is generally a function of their spot rate and: (a) Trade Difference (b) Difference in the exchange rate (c) Int. rate differential between them (d) Both B and C	5	CO2

Q4	When the strike price is lower than the spot price of the underlying, a call option will be _____.
	
	    (a) At the money (b) In the money
	    (c) Out of the money (d) American Type
		5	CO3

Q5	In CAPM, beta factor measures
	    a) Return of an asset b) Risk of an asset
	    c) Life of an asset d) capital investment
		5	CO4

Q6	Price that is agreed upon at the date of the contract for the delivery of an asset at a specific futures date is called _____.
	
	    (a) Spot Price (b) Discount Price
	
	    (c) Cash market price (d) Futures Price
		5	CO3

SECTION B

S.No.	Attempt any five questions		
Q 1	Suppose a 6-m forward contract on shares of ITC Limited is available. The current market price of ITC is Rs 180. If the risk free interest is s 6% per annum what should be the price of the 6 month forward contract?	10	CO2

Q2	Distinguish between the intrinsic value and time value of an option?	**10**	**CO4**
Q3.	Define Risk. Discuss the different types of business risks	**10**	**CO3**
Q4	What are future contracts? How these are different from forward contracts?	**10**	**CO4**
Q5	The returns and associated probabilities of Modern Foods ltd are given below: 	Return %	12	15	18	20	24	26	30
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Probability	0.05	0.10	0.24	0.26	0.18	0.12	0.05 | Calculate the expected return and standard deviation.	**10**	**CO3**
Q6.	Discuss the Black-Scholes model and its assumptions	**10**	**CO1**

Section C

	Attempt any one		
Q1.	A 2-month call option on an asset with strike price of Rs 2,100 is selling for Rs 140 when the share is trading at Rs 2,200. Find out the following: i) What is the intrinsic worth of the call option? ii) Why should one buy the call for a price in excess of intrinsic worth? iii) Under what circumstances the option holder would exercise his call? iv) At what price of the asset the call option holder would break even? v) If the price of the asset becomes Rs 2,150, should the option holder exercise the call option? vi) What is the profit/loss of the holder and writher if the price of the asset is Rs 2,000, Rs 2,250 and Rs 2,500 on the date of expiry of the option?	**20**	**CO4**
Q2.	What is Project risk Management. Discuss the different techniques for project risk calculation.	**20**	**CO3**

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End-Semester Examination, May 2020

Course: Enterprise Risk Management   **Semester: II**
Programme: MBA BA
Time: 3 Hrs   **Max. Marks: 100**
Instructions:

SECTION A

S. No.	Attempt all questions	Marks	CO
Q1	Risks associated with counter-party default are termed as 　　　c) Settlement Risks　　　　　c) Market Risks 　　　d) Credit Risks　　　　　　　d) Operational Risks	2	**CO4**
Q2	Arbitragers take advantage of _____ in the markets? (a) Hedgers (b) Volatility (c) Mispricing (d) Speculators	2	**CO2**
Q3	The forward rate for any two currencies is generally a function of their spot rate and: (a) Trade Difference　　　　　　(b) Difference in the exchange rate (c) Int. rate differential between them　　(d) Both B and C	2	**CO2**
Q4	Q4. Which of the following is not a derivative transaction? (a) An investor buying index futures in the hope that the index will go up. (b) A copper fabricator entering into futures contracts to buy his annual requirements of copper. (c) A farmer selling his crop at a future date (d) An exporter selling dollars in the spot market	2	**CO1**
Q5	. There are many _____ in the financial and business environment today.	2	**CO3**

	(a) Risks (b) mergers and acquisitions (c) legal issues (d) consolidations		
Q6	The bull spread can be created by only buying and selling a) basket option (b) futures (c) warrant (d) options	**2**	**CO3**

Q7	When the strike price is lower than the spot price of the underlying, a call option will be _____.
	
	  (a) At the money (b) In the money
	  (c) Out of the money (d) American Type
		2	**CO3**

Q8	In CAPM, beta factor measures
	  b) Return of an asset b) Risk of an asset
	  c) Life of an asset d) capital investment
		2	**CO4**

Q9	A buying hedge in the options market is achieved by a) Purchasing a call option b) Buying a put option	**2**	**CO2**

Q10	Price that is agreed upon at the date of the contract for the delivery of an asset at a specific futures date is called _____.
	
	  (a) Spot Price (b) Discount Price
	
	  (c) Cash market price (d) Futures Price
		2	**CO3**

SECTION B

S.No.	Attempt any four questions		
Q 1	Define Risk. Explain systematic and unsystematic risk	**5**	**CO2**
Q2	Distinguish between the intrinsic value and time value of an option?	**5**	**CO4**
Q3.	Discuss the different types of business risks	**5**	**CO4**
Q4.	Three put options X,Y and Z with strike prices of Rs 100, Rs 105,and Rs 110 are selling at Rs 2, Rs 5 and Rs 13 respectively. Current market price of the underlying asset is Rs 105. What is the moneyness of each of the options? What would be the moneyness of each option if each put price increases by Rs 2?	**5**	**CO3**
Q5.	Suppose a 6-m forward contract on shares of TCS Limited is available. The current market price of TCS is Rs 280. If the risk free interest is s 8% per annum what should be the price of the 6 month forward contract?	**5**	**CO3**

SECTION-C

S.No.	Attempt any three		
Q1	What is Enterprise Risk management? Discuss the process of Enterprise risk management	**10**	**CO4**
Q2	The returns and associated probabilities of Modern Foods ltd are given below:	**10**	**CO3**

Return %	12	15	18	20	24	26	30

	Probability	0.05	0.10	0.24	0.26	0.18	0.12	0.05		
	Calculate the expected return and standard deviation.									
Q3.	What are future contracts? How these are different from forward contracts?								**10**	**CO2**
Q4.	Given the following information about an asset: Current Market Price: Rs 50, Annual Volatility: 30%, Risk Free Interest Rate for 3months: 10% Find out the value of 3-month call option with strike prices of (a) Rs 40; (b) Rs 50 and (c) Rs 60. What are the intrinsic and time value of the calls?								**10**	**CO1**

Section D

	Attempt any one		
Q1.	A 2-month call option on an asset with strike price of Rs 2,100 is selling for Rs 140 when the share is trading at Rs 2,200. Find out the following: vii) What is the intrinsic worth of the call option? viii) Why should one buy the call for a price in excess of intrinsic worth? ix) Under what circumstances the option holder would exercise his call? x) At what price of the asset the call option holder would break even? xi) If the price of the asset becomes Rs 2,150, should the option holder exercise the call option? xii) What is the profit/loss of the holder and writher if the price of the asset is Rs 2,000, Rs 2,250 and Rs 2,500 on the date of expiry of the option?	**30**	**CO4**
Q2.	What is Project risk Management. Discuss the different techniques for project risk calculation.	**30**	**CO3**