MCOM202

II Semester M.Com. Degree Examination, September - 2025
(CBCS New Semester Scheme)
COMMERCE
Risk Management and Derivatives
Paper - 2.2

Time : 3 Hours Maximum Marks : 70

Instructions :

*Answer **All** questions as per instructions.*

SECTION - A

Answer any Seven questions out of Ten. Each question carries 2 marks. **(7×2=14)**

1. a) Define Risk Management?
   b) Define VAR.
   c) What is Fidelity Risk?
   d) What is Delphi Method?
   e) Expand RAROC, CIBIL.
   f) What is Back Testing?
   g) What is Mark to Market?
   h) What is Financial Derivatives?
   i) What is American option?
   j) Define ORM.

SECTION - B

Answer any Four questions out of Six. Each question carries 5 marks.(4×5=20)

2. What is Credit Risk? What are the Factors affecting Credit Risk?
3. What are the Techniques of Estimating loss frequency and severity in risk management?
4. Distinguish Forward market and future market.
5. What is yield curve? Explain its types with graphical representation.

[P.T.O.

6. Compute Value of Risk for a single asset under Model Building Approach. Consider the following information.

Value of the Asset Rs. 10 Lakhs

Time Horizon N = 10 Days

Confidence level X = 99%

Volatility Per year (Standard Deviation) = 40%

[Note : Consider Table Value for 99% Confidence Level is 2.33]

7. Assume that a commodity spot price is Rs.1000. There is a 1 year contract available, the Risk free rate is 2%

The storage cost is 0.5%, and

The convenience yield is 0.25%

Calculate the cost of carry and cost of carry situation.

SECTION - C

Answer any Two questions out of Four. Each question carries 12 marks.
(2×12=24)

8. What are the various types of Business Risks and their challenges? Explain.

9. What is Derivative? Explain the features of Derivatives.

10. The following information is available

Current stock price s = Rs. 225

Strike Price = Rs. 245.

Interest Rate 13%

Volatility of interest rate 4%

Duration of the option 5 months

Use Black Scholes Model to find the value of Call and Put Option.

11. The following information is available for the year 2025 of the Apple inc. company Ltd. Calculate Altman Z Score, and determine the financial fitness of Apple inc. Company

Particulars	Amount (in billions)
Total current assets	Rs. 131.3
Total Current Liabilities	Rs. 116.9
Working Capital	Rs. 14.4
Net Income	Rs. 59.5
Dividend Paid	Rs. 13.7
Retained Earnings	Rs. 45.8
Operating Income	Rs. 70.9
Market Value of Equity	Rs. 962.0
Total Liabilities	Rs. 258.6
Sales	Rs. 265.6
Total Assets	Rs. 365.7

SECTION - D

(Compulsory Skill - based Question on Subject / Paper) (1×12=12)

12. A local bank has been offering personal loans and credit cards to a growing customer base. However, there has been a noticeable increase in defaults over the past two quarters. What is your recommendation to minimize credit losses?