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Enrollment No.....



Faculty of Engineering
End Sem (Odd) Examination Dec-2018
CM3EB02 Risk Management

Programme: B.Com.(Hons) Branch/Specialisation: Commerce

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Which of the following technique will ensure that impact of risk will be less? **1**
(a) Risk avoidance technique
(b) Risk Mitigation technique
(c) Risk contingency technique
(d) All of these
- ii. In the process of the risk management what should be consider before talking the decision of risk? **1**
(a) Risk assessment (b) Risk identification
(c) Risk retention (d) Risk transfer
- iii. An international bank has identified the risks associated with economic changes in the countries in which it operates. Which of the following correctly describes these risks? **1**
(a) Internal – Infrastructure (b) External – Reputational.
(c) External – Marketplace (d) Internal – Organizational
- iv. Which ONE of the following is a longer-term financial risk? **1**
(a) Cash management risk (b) Credit risk
(c) Interest rate risk (d) Liquidity risk
- v. Normally, the interest rate risk of a bond is: **1**
(a) Greater for shorter maturities
(b) Lower for higher coupon rate
(c) Lower for longer maturities
(d) Unrelated to the yield to maturity

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- vi. Which of the following is a market risk factor: **1**
(a) Stock Price (b) Commodity Price
(c) Interest Rate (d) All of these
- vii. Operational Risk Management Process includes the Identification of hazards, Assessing the hazards, Making risk decisions, Implement controls, and **1**
(a) Take action (b) Re-assessing the process
(c) Supervise (d) Both (a) and (b)
- viii. Operational Risk Management **1**
(a) Is a decision making tool
(b) Increases ability to make informed decisions
(c) Reduces risks to acceptable levels
(d) All of these
- ix. A term loan is said to be non performing when interest and/ or instalment of principal remain overdue for a period of more than _____ **1**
(a) 30 days (b) 90 days (c) 45 days (d) 180 days
- x. To calculate capital adequacy ratio, the banks are required to take into account which of the following risks? **1**
(a) Credit risk and Operational risk
(b) Credit risk and Market risk
(c) Market Risk and Operational Risk
(d) Credit Risk, Market risk and Operational risk
- Q.2 i. What do you mean by risk aversion? **3**
ii. Elaborate the sources of risk and explain the mechanism of identification and measurement of risk. **7**
- OR iii. What are various types of risks a bank faces? **7**
- Q.3 i. What are the key risk indicators? **2**
ii. Briefly explain the importance of risk control in the risk management process. **8**
- OR iii. What are the RBI Guidelines for effective Management of ALM in banks in India? **8**

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- Q.4 i. What is liquidity risk? **2**
ii. Write a note on Foreign Exchange Risk management and price risk management. **8**
- OR iii. What are the differences between Basel I and Basel II? **8**
- Q.5 Attempt any two:
i. Briefly explain the three operational risk approaches. **5**
ii. When is a bank considered to be "broadly compliant"? Discuss in the light of Credit risk management. **5**
iii. Discuss key principles of operational risk management. **5**
- Q.6 Attempt any two:
i. What are the methods to mitigate risk in Banking? **5**
ii. Discuss the term "prudential norms" in the context of banks? **5**
iii. What are the remedies for non performing asset? **5**

Marking Scheme
CM3EB02 Risk Management

Q.1	i.	Which of the following technique will ensure that impact of risk will be less? (c) Risk contingency technique (Comment: Mitigation and avoidance is same that is reducing likelihood.)	1
	ii.	In the process of the risk management what should be consider before talking the decision of risk? (b) Risk identification	1
	iii.	An international bank has identified the risks associated with economic changes in the countries in which it operates. Which of the following correctly describes these risks? (c) External – Marketplace	1
	iv.	Which ONE of the following is a longer-term financial risk? (b) Credit risk	1
	v.	Normally, the interest rate risk of a bond is: (b) Lower for higher coupon rate	1
	vi.	Which of the following is a market risk factor: (d) All of these	1
	vii.	Operational Risk Management Process includes the Identification of hazards, Assessing the hazards, Making risk decisions, Implement controls, and (c) Supervise	1
	viii.	Operational Risk Management (d) All of these	1
	ix.	A term loan is said to be non performing when interest and/ or instalment of principal remain overdue for a period of more than _____. (b) 90 days	1
	x.	To calculate capital adequacy ratio, the banks are required to take into account which of the following risks? (d) Credit Risk, Market risk and Operational risk	1
Q.2	i.	What do you mean by risk aversion?	3
	ii.	Source of Risk, credit Marker and Operational Risk Mechanism	7 3 marks 4 marks

OR	iii.	Seven types of risks a bank faces	1 mark for each (1 mark * 7)	7
Q.3	i.	Four points key risk indicators-	0.5 mark for each (0.5 mark * 4)	2
	ii.	Importance of risk control in the risk management process. Eight points	1 mark for each (1 mark * 8)	8
OR	iii.	RBI Guidelines for effective Management of ALM in banks	Eight points	8
			1 mark for each (1 mark * 8)	
Q.4	i.	Liquidity risk Explanation in four lines		2
	ii.	Foreign Exchange Risk management and price risk management	Eight points	8
			1 mark for each (1 mark * 8).	
OR	iii.	Differences between Basel I and Basel II	Eight points	8
			1 mark for each (1 mark * 8)	
Q.5		Attempt any two:		
	i.	Three operational risk approaches. Each approach	1.5 mark (1.5 mark *3) quality of answer 0.5 mark	5
	ii.	Credit risk management. Five points	1 mark for each (1 mark * 5)	5
	iii.	Principles of operational risk management. Any five points	1 mark for each (1 mark * 5)	5
Q.6		Attempt any two:		
	i.	Methods to mitigate risk in Banking Any five points	1 mark for each (1 mark * 5)	5
	ii.	Prudential norms in the context of banks Any five points	1 mark for each (1 mark * 5)	5
	iii.	Remedies for non performing asset Any five points	1 mark for each (1 mark * 5)	5
