

Total No. of Questions: 6

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Enrollment No.....



Faculty of Management  
End Sem (Odd) Examination Dec-2018  
MS5EF04 Risk Management in Banks  
Programme: MBA Branch/Specialisation: Management / Finance

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. The process of Risk Management starts with? **1**  
(a) Risk Control (b) Risk Measurement  
(c) Risk Identification (d) None of these
- ii. Risk arises when technology system may get malfunction is classified **1**  
as:  
(a) System risk (b) Technology risk  
(c) Operational risk (d) Support risk
- iii. The Headquarter of BIS is in— **1**  
(a) USA (b) UK (c) Switzerland (d) None of these
- iv. Capital Adequacy Ratio (CAR) means ..... **1**  
(a) A ratio of bank's Profits to its risk  
(b) A ratio of central bank's deposits to its risk  
(c) A ratio of a bank's capital to its risk  
(d) A ratio of bank's capital to its total deposits
- v. When there is a risk of loss resulting from inadequate or failed internal **1**  
processes, people and systems or from external event, it is called  
(a) Liquidity risk (b) Systemic risk  
(c) Operational risk (d) Moral Hazard
- vi. Chief Risk Officer deals with- **1**  
(a) Credit Risk (b) Market Risk  
(c) Operational Risk (d) All of these

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- vii. When the risk of losses in on- or off-balance sheet positions arise from movement in market prices, it is called **1**  
(a) Liquidity risk (b) Systemic risk  
(c) Market Risk (d) None of these
- viii. Which of the following is not a major component of market risk? **1**  
(a) Interest rate risk (b) Liquidity risk  
(c) Foreign exchange risk (d) None of these
- ix. 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
- x. Which is/are ways to deal with risk? **1**  
(a) Mitigate (b) Contingency  
(c) Transfer (d) All of these
- Q.2 i. What types of risks a bank can face in its day to day operations. Briefly explain. **2**  
ii. Explain the process of Risk Management in Banks. **3**  
iii. How assets and liabilities are managed in a bank? Explain in detail. **5**  
OR iv. Explain risk management techniques of banks. **5**
- Q.3 i. What is credit risk? **2**  
ii. Explain the concept of capital adequacy under basel accord in detail. **8**  
OR iii. How a bank can transfer its credit risk? Give examples to support your answer. **8**
- Q.4 i. What are the causes of operational risk in banks? **3**  
ii. On what principles operational risk in banks can be managed and mitigate? Explain in detail. **7**  
OR iii. What are the qualifying criteria for banks for adoption of basic indicator approach and standardised approach for capital allocation. **7**

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- Q.5 i. Define Market risk and types of market risk in detail. **4**  
ii. How interest rate risk can be measured using VAR? **6**  
OR iii. What are the approaches of VAR computation. Explain. **6**
- Q.6 Attempt any two:  
i. Define enterprise risk management in detail. **5**  
ii. Write a note on Risk Exposure Analysis. **5**  
iii. Write a note on: **5**  
(a) Capital adequacy norms  
(b) Prudential Norms.

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**Marking Scheme**  
**MS5EF04 Risk Management in Banks**

Q.1	i.	The process of Risk Management starts with? (c) Risk Identification	<b>1</b>
	ii.	Risk arises when technology system may get malfunction is classified as: (c) Operational risk	<b>1</b>
	iii.	The Headquarter of BIS is in— (c) Switzerland	<b>1</b>
	iv.	Capital Adequacy Ratio (CAR) means ..... (c) A ratio of a bank's capital to its risk	<b>1</b>
	v.	When there is a risk of loss resulting from inadequate or failed internal processes, people and systems or from external event, it is called (c) Operational risk	<b>1</b>
	vi.	Chief Risk Officer deals with- (d) All of these	<b>1</b>
	vii.	When the risk of losses in on- or off-balance sheet positions arise from movement in market prices, it is called (c) Market Risk	<b>1</b>
	viii.	Which of the following is not a major component of market risk? (d) None of these	<b>1</b>
	ix.	Which of the following technique will ensure that impact of risk will be less? (d) All of these	<b>1</b>
	x.	Which is/are ways to deal with risk? (d) All of these	<b>1</b>
Q.2	i.	Four Types of risks a bank 0.5 mark for each	<b>2</b> (0.5 mark * 4)
	ii.	Process of Risk Management in Banks Stepwise – 1 mark for each explanation	<b>3</b> (1 mark *3)
	iii.	Assets and liabilities are managed in a bank Pointwise explanation	<b>5</b> 3 marks
OR	iv.	Risk management techniques of banks. Pointwise explanation of each	<b>5</b>

Q.3	i.	Definition of credit risk	1 mark	<b>2</b>
		Example	1 mark	
	ii.	Concept of capital adequacy under basel accord Two accords 4 marks for each	(4 marks * 2)	<b>8</b>
OR	iii.	Four techniques 2 marks for each	(2 marks *4)	<b>8</b>
Q.4	i.	Any six causes of operational risk in banks 0.5 marks for each	(0.5 mark * 6)	<b>3</b>
	ii.	Any seven principles operational risk in banks 1 mark for each	(1 mark * 7)	<b>7</b>
OR	iii.	Qualifying criteria for banks for adoption of basic indicator approach and standardised approach for capital allocation. 3.5 marks for each correct explanation	(3.5 marks * 2)	<b>7</b>
Q.5	i.	Market risk Types of market risk 1 mark for each (1 mark * 3)	1 mark 3 marks	<b>4</b>
	ii.	Interest rate risk can be measured using VAR Pointwise explanation		<b>6</b>
OR	iii.	Any three approaches of VAR computation. 2 marks for each	(2 marks * 3)	<b>6</b>
Q.6		Attempt any two:		
	i.	Enterprise risk management Pointwise explanation		<b>5</b>
	ii.	Risk Exposure Analysis Pointwise explanation		<b>5</b>
	iii.	Write a note on: (a) Capital adequacy norms (b) Prudential Norms.	2.5 marks 2.5 marks	<b>5</b>

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