

CS/BIRM/SEM-6/BIRM-604/2012

2012

**FINANCIAL AND TREASURY RISK  
MANAGEMENT**

*Time Allotted : 3 Hours*

*Full Marks : 70*

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words*

*as far as practicable.*

**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

i) ERM stands for

a) Enterprise Risk Management

b) Earnings Risk Management

c) ESOP Risk Management

d) Envelop Risk Management.

ii) A treasury manager tends to delay with payments to creditors, whereas they do their level best to get their dues from the dealer and distributors. This method is referred to as

a) Debtor's management b) Float management

c) Sanitization d) Swapping liquidity.

iii) Basel II regulations are for

a) banks and financial institutions

b) only banks

c) Class II Financial Intermediaries

d) banks having branches outside the home country.

iv) The rice cultivation of India is affected by rainfall. The

future price of rice becomes volatile during rainy season. Therefore exporters of rice invest heavily on

- a) Commodity derivatives
- b) Weather derivatives
- c) Currency derivatives
- d) All of these.

v) Find the odd man out

- a) MCX b) BSE
- c) NSE d) NYSE.

vi) Treasury Management refers to efficient management of ..... to balance liquidity and profitability in a business.

- a) Forex risk b) Operations risk
- c) Market d) Financial risk.

vii) LIBOR stands for

- a) Lloyds Inter Bank Operation Rate
- b) Local Intelligence Branch of Receivables
- c) London Inter Bank Offer Rate
- d) London Inter Bank Receivables (Order Lot).

viii) S & P CNX Nifty futures are traded in

- a) BSE b) NSE
- c) CSE d) DSE.

ix) VaR stands for

- a) Value after Replacement
- b) Value after Risk
- c) Value at Risk
- d) None of these.

x) Which is not a Money market instrument ?

- a) Treasury bills b) Certificates of deposits

- c) Commercial papers d) Recurring deposits.
- xi) RAROC stands for
  - a) Risk Adjusted Return on Capital
  - b) Risk Attached Roaster of Credit
  - c) Risk Associated Real Options (Calculated)
  - d) Risk Attached REPO offered to Consignees.
- xii) A government security also known to be
  - a) guilt edged security
  - b) government promissory note
  - c) public debt office (PDO) bearer security
  - d) all of these.

#### **GROUP – B**

##### **( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

2. Write down the steps to be followed in liquidity risk management.
3. Explain how the different categories of participants help in the development of the derivatives market.
4. Highlight the various features of any forward contract.
5. Distinguish between call option and put option.
6. Define the concept 'economic capital'.

#### **GROUP – C**

##### **( Long Answer Type Questions )**

Answer any *three* of the following.  $3 \times 15 = 45$

7. Define Value at Risk. Discuss the different methods adopted to measure value at risk.
8. List the steps associated with :
  - a) Interest Rate swap
  - b) Buying steel futures

c) Buying a NIFTY future.

9. Elaborate the role of the Chief Risk Officer of a bank.

10. What is financial risk ? What are its major components ?

Briefly describe the linkages between business (corporate) strategy and financial risk. 2 + 6 + 7

11. Discuss the concept of Integrated Treasury Management in major banks in India. What are the merits of this system ?

10 + 5