35625

Reg. No.

VI Semester B.B.A. Degree Examination, September/October - 2022
BUSINESS ADMINISTRATION
Risk Management and Derivatives
(CBCS Scheme (F))
Paper : FN 6.5 (Elective)

Time : 3 Hours **Maximum Marks : 70**

Instructions to Candidates:

Answers should be written in English only.

SECTION - A

Answer any **Five** questions. Each question carries **Two** marks. **(5×2=10)**

1. a. Define the term derivatives.
   b. What is systematic risk?
   c. Expand LIBOR.
   d. What is Beta?
   e. What is Arbitration?
   f. What are options?
   g. What is put - call parity?

SECTION - B

Answer any **Three** questions. Each question carries **Five** marks. **(3×5=15)**

2. State the characteristics of future contract.
3. Briefly explain the various types of speculators in the stock exchange.
4. Differentiate between call and put options.

[P.T.O.

5. Mr. Kashyap is considering investing in two projects X and Y. You are required to advice him about the acceptability of the projects from the following information.

	Project X	Project Y
Cost of the project cash inflow p.a (forecast for 5years)		
	1,80,000	1,80,000
Optimistic	1,20,000	90,000
Most likely	75,000	90,000
Pessimistic	60,000	30,000

The cut off rate of the project is 10% (P.V of Annuity for 5 years @ 10% is 3.791).

SECTION - C

Answer any **Three** questions. Each question carries **Fifteen** marks. **(3×15=45)**

6. What is Risk? Explain the various classfication of risk.
7. What is meant by speculation? Explain the concept of Hedging, Speculation nad Arbitrage.
8. Explain the various types of options.
9. From the following information, determine the project which is more risky on the basic of standard deviation and also calculate co-efficient of variation.

Project A		Project B	
Cash flow (Rs.)	Probabilities	Cash Flow (Rs.)	Probabilities
2000	0.1	2000	0.1
4000	0.3	4000	0.2
6000	0.2	6000	0.4
8000	0.2	8000	0.2
10000	0.2	10000	0.1