University of Mumbai Question Paper –April 2017

Risk Management

Max. Marks : 75 **Time : 2.5 Hour**

N.B. 1. All questions are compulsory subject to internal choice 2. Figures to right indicate full marks.

Q.1. Answer the following (any two) **15**

a. Define Risk management. Explain the process of risk management.

b. Explain the different tools used to measure quantitative risk.

c. Calculate expected rate of return and standard deviation of ABC Ltd. for the following information.

Situation	Probability	Stock A (Return %)	StockB (Return %)
Normal	0.3	25%	22%
Recession	0.2	40%	30%
Boom	0.5	-10%	15%

Q,2, Answer the following (any two) **15**

a. Explain the various structural models of Swap.

b. Explain the ERM matrix with Diagram.

c. Define Arbitrage. Explain the types of arbitrage techniques.

Q.3. Answer the following (any two) **15**

a. Define corporate governance. Explain the benefits of corporate governance.

b. Define Risk assurance. Explain the challenges of risk assurance.

c. Briefly discuss Risk and Stakeholders.

Q.4. Answer the following (any two) **15**

a. Discuss the powers, functions and duties of IRDA.

b. What is Reinsurance? What are the different types of reinsurance?

c)

Loss value (in Rs.)	Probability
2,00,000	0.02
10,000	0.08
0	0.9

Find the fair premium if :

a. Policy provide full coverage

b. Under writing costs = 10% of pure Premium

c. Claims are paid at the end of year.

d. Interest rate = 10%

e. Expected claim processing costs = Rs. 600

f. Fair profit = 5% of pure premium

Q.5. Case study

Evaluate the performance of funds M,N and market ports folio from the following information available from the past 6 months

Month (Return %)	April	May	June	July	Aug	Sept
Fund M	3.25	1.50	(1.00)	3.75	1.25	0
Fund N	2.50	(1.25)	0	2.75	2.25	1.25
Market portfolio	1.00	(0.75)	2.00	1.75	0.25	3.25

The 6 month Treasury Bills Carry an interest rate of 6% p.a.