5 SEM TDC RKMT 3 (Sp)

2013

(November)

COMMERCE

(Speciality)

Course : 503

(Risk Management)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Write *True* or *False* : 1×5=5

(i) Risk can be quantified but uncertainty cannot be quantified.

(ii) Current ratio is the indicator of profitability of a firm.

(iii) An institution might lose liquidity if its credit rating falls.

(iv) Economic, political, and sociological changes are sources of unsystematic risk.

(v) Utility of the portfolio is the expected return of the portfolio minus a risk penalty.

(b) Choose the correct answer : 1×3

(i) As per the recommendation of Narsimham Committee on financial systems, the RBI has introduced prudential norms for

(1) income recognition

(2) asset classification

(3) provisioning for advances portfolio of the banks in a phased manner

(4) All of the above

(ii) ALM process includes

(1) liquidity risk management, management of market risk, trading risk management and funding and capital planning

(2) foreign exchange management, currency risk management and financial management

(3) portfolio management

(4) None of the above

(iii) Insurance regulatory and development authority (IRDA) Act was enacted in

(1) 1986

(2) 2000

(3) 1999

(4) 1972

2. Write short notes on any *four* of the following : 4×4=16

   (a) Systematic risk

   (b) Prudential norms

   (c) Risk avoidance

   (d) Currency risk management

   (e) ALM information system

3. What do you mean by risk? Explain the relationship between risk and uncertainty. 5+6=11

Or

What is risk assessment? Explain the significance of risk management. 4+7=11

4. Give an account of sources and uses of bank funds. 5+6=11

Or

What do you mean by profitability? Discuss the basic principles of fund management. 4+7=11

5. Critically analyse the mean variance portfolio selection approach. 11

Or

Explain briefly the procedure of overall risk determination.

6. Give an overview of asset liquidity management practices of banks. Discuss the sound principle of asset liquidity management of banks. 5+6=11

Or

What do you mean by liquidity risk management? State the causes of liquidity risk of banks. 5+6=11

7. Give an account of risk associated with business. Discuss the use of enterprise risk management (ERM) in insurance business. 6+6=12

Or

What is risk reduction? Explain the difference between risk reduction and risk retention. 5+7=12

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