

# School of Business

Department of Business  
Mid Term Examination

Exam Date: 05 Oct 2023  
Time : 90 Minutes  
Marks : 50

## Sem IX - MBFI6019 - Financial Risk Management

*Your answer should be specific to the question asked  
Draw neat labeled diagrams wherever necessary*

- 1) Illustrate forward contract and explain Valuation of forward contracts methods? K2 (2)
- 2) Write a note on various types of risk management methods? K1 (3)
- 3) Write a note on valuation of currency Swap. Explain with examples. K2 (4)
- 4) Explain what are Derivatives? K2 (6)
- 5) Identify one reason why do we do not transfer all risks by using insurance. K3 (6)
- 6) Identify the Merits and demerits of financial derivatives? K3 (9)
- 7) Examine how would you convert a floating rate liability into a fixed rate liability using swap? Draw a schematic diagram to explain your answer. K4 (8)
  
- 8) Hyundai motors exports cars to Germany, and every three months, it would receive EUR 500,000 from car shipments. On March 1, the exchange rate between the Indian rupee and the euro is EUR 1= INR 70.7242. The interest rate in Germany is 6% per annum, while the interest rate in India is 9% per annum. Hyundai wants to hedge its euro receipt through forward contracts for the next 6 months. Questions: a) What type of hedging activity would be suitable for Hyundai? b) What would be the amount in Indian rupees that Hyundai will receive after 90 days and after 180 days if it enters into a 90 – day and 180 – day forward contract, respectively? K4 (12)

**OR**

Discover two option Trading Strategies for the current situations of the foreign exchange market. K4 (12)