

**EXECUTIVE MASTER OF BUSINESS
ADMINISTRATION (EXMBA)**

00773

**Term-End Examination
December, 2012**

**MCTE-089 : FINANCIAL ENGINEERING AND
RISK MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions. All questions carry equal marks.

1. What do you mean by valuation of shares and business ? Explain the method of valuation of shares under "net asset valuation" method.
2. What is an Option ? Briefly discuss the option pricing model developed by Black and Scholes.
3. What is a portfolio? How is the portfolio return and risk calculated for a two security portfolio ?
4. What is meant by zero-interest debentures and deep discount debentures? How is their cost determined ?
5. What is credit risk? Discuss few of the credit derivatives that can be used to reduce credit risk.

6. What is 'Warrant'? What are the factors influencing the value of a warrant? Explain with the help of a graph.

 7. What are 'SWAP's ? Explain how SWAPs are used to reduce risk exposure?

 8. What is Capital Market Line ? How does it differ from Security Market Line ?
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