

**MASTERS OF BUSINESS ADMINISTRATION  
(BANKING AND FINANCE)  
(MBABFEV)**

00858

**Term-End Examination**

**December, 2012**

**MCN-024 : RISK MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100*

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- Note : (i) Attempt any five questions.  
(ii) All questions carry equal marks.*
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1. What do you mean by risk ? What are various types of risk facing business and individuals ? **20**
  
2. (a) What is the objective of risk management ? **10**  
(b) What are various components of cost of risk ? **10**
  
3. (a) How does pooling arrangement reduces risk ? **10**  
(b) How do insurance companies economise on contracting cost ? **10**
  
4. Suppose that company A and company B are identical in all respects, except that company A is twice the size of company B. Which firm would you expect to purchase more insurance ? Explain. **20**

5. (a) What is the difference between risk retention and risk transfer ? 10  
(b) Give merits and demerits of risk retention. 10
6. Discuss similarities and differences between insurance contracts and derivative contracts. 20
7. Explain the basic derivative contracts (option, forwards, futures and swaps) commonly used for hedging. 20
8. Write short notes on *any two* : 2x10=20  
(a) Banking risks and regulation  
(b) Risk avoidance  
(c) Risk control  
(d) Sources of risks
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