

88200

MASTER OF BUSINESS ADMINISTRATION

Term-End Examination

December, 2011

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

Time : 3 hours

Maximum Marks : 100

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

1. What are the different methods of valuation of assets ? Explain in detail the economic value concept.

2. What are the factors determining the value of options ? How each of them is related to the value ?

3. Explain how the risk and return of a two security portfolio can be measured.

4. Develop and explain the Capital Asset Pricing Model. What beta factor refers to ?

5. What are the factors involved in Bond Valuation ? Examine the relationship between interest rate, time to maturity and bond valuation.
 6. What is credit risk ? Discuss the use of various credit derivatives to mitigate the credit risk.
 7. What are structured products ? Discuss the reasons for the evolution of these products.
 8. Explain how can diversification reduce the risk of a portfolio of assets to below the weighted average of the risks of the individual assets.
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