



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme – Masters of Commerce in Banking & Financial Accounting

Course Name –Treasury & Risk Management

Course Code –MCM301

(Semester – 3)

Time allotted:3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) Gold as a metal is popularly used in currency due to -

- | | |
|------------------------------------|----------------------|
| a. High value | b. Used in ornaments |
| c. Divisibility into smaller units | d. All of them |

(ii) International trade is advantageous due to -

- | | |
|------------------------------|---------------------------------|
| a. Law of absolute advantage | b. Law of comparative advantage |
| c. Both (a) and (b) | d. Any one of (a) and (b) |

(iii) Following term is related with Bretton Wood system

- | | |
|----------------------|-------------------|
| a. Adjustable peg | b. TriffinsDilema |
| c. Seigniorage gains | d. All the above |

(iv) Riskless profit making is known as-

- | | |
|----------------|----------------------|
| a. Arbitraging | b. Specultaion |
| c. Hedging | d. None of the above |

(v) Suppose exercise price of a stock option is Rs. 90. Value of the underlying stock is Rs. 100. A long call party has paid Rs.2 premium. What is his profit or loss now:

- | | |
|-------|-------|
| a. 8 | b. 10 |
| c. 12 | d. 98 |

- (vi) IPO and FPO are the types of
- a. Right issue
 - b. Public issue
 - c. Bonus issue
 - d. Private placement
- (vii) Which of the following is true regarding Treasury bills
- a. Insufficient liquidity
 - b. Risk of default
 - c. All the above
 - d. Low transaction cost
- (viii) Stock exchange exists as -
- a. Public company
 - b. Joint stock company
 - c. Public-private partnership
 - d. None of the above
- (ix) Which one is not considered for determination of stock index?
- a. Base year
 - b. Population
 - c. Representativeness
 - d. Assignment of weight and sample size
- (x) OTCEI was founded in
- a. 1964
 - b. 1975
 - c. 1990
 - d. 2001

Group – B

(Short Answer Type Questions)

3 x5 = 15

Answer any *three* from the following

2. Exchange rate of Mexican Peso and Indian rupee with respect to USD are as follows-
 - (i) INR/USD 45.00-45.50
 - (ii) MEX PESO/USD 12.00-12.25
 Find out at what rate would the bank buy and sell Mexican Peso by using INR 5
3. What do you mean by gold mint parity? Suppose the world is on Gold standard. Price of Gold is Rs.580 per gm. in India. It is \$12 per gm. in USA. Cost of transporting Gold between US and India is Re.0.50 per gm. Find mint parity Rupees Per \$ exchange rate gold points. 5
4. A trader in Gold hold stock of 1 kg gold valued at Rs.15 lakhs. Spot price is Rs.15,000 per 10 gm. One 3 months futures on gold of size 100 gm. Is available. It has price of Rs.15,400 per 10 gm. In order to protect against the fall in value of gold, the trader decides to sell 10 contracts in gold for 3 month delivery. But after one month, trader is required to sell stock of gold at Rs.14,500. So he cancels his futures position at Rs.14,700. Find out price trader realized. 5
5. What is option? How option contracts are settled? 2+3
6. (a) What is forward contract?
(b) Explain its important features. 1+4

Group – C

(Long Answer Type Questions)

3x 15 = 45

Answer any *three* from the following

- | | | |
|-----|--|----|
| 7. | (a) Explain features of Bretton Wood system. | 5 |
| | (b) How intervention mechanism operates here- explain | 10 |
| 8. | <p>In New York, the following price of EURO is quoted
 USD/EURO : 1.2500–1.2600
 In London the values of USD and EURO against GBP are as follows:
 USD/GBP : 1.5650–1.5750
 EURO/GBP : 1.2200–1.2300
 Is any arbitraging opportunity is available in exchange rates quoted at New York and London? If so, what action would be taken to execute the arbitrage.</p> | 15 |
| 9. | (a) Distinguish between capital market and money market. | 5 |
| | (b) Explain in detail common instruments used in commodity market | 10 |
| 10. | (a) What is forward contract? | 2 |
| | (b) What are its important features? | 6 |
| | (c) What are its limitations? | 3 |
| | (d) How futures help in overcoming these limitations? | 4 |
| 11. | (a) What do you mean by transaction exposure? | 3 |
| | (b) Suppose a person has imported good of \$100,000. It will be paid after 6 months. How transaction risk will arise? [you can assume some numerical value to explain it] | 6 |
| | (c) Current exchange rate is INR70/USD. Six month forward rate offered by bank is INR 71/USD. After 6 month spot rate is INR 71.50/USD. | |
| | i. How much he will pay to settle dues? | |
| | ii. How much he gained from hedging? | 6 |