

2018

MBA

3rd Semester Examination

FINANCIAL ENGINEERING

(Specialisation : Financial Management)

PAPER—F-304

Subject Code—09

Full Marks : 100

Time : 3 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

1. Answer any eight questions :

8×5

- (a) What is 'Financial Engineering'? State its characteristics?
- (b) Explain in brief, the scope and nature of Financial Engineering.

(Turn Over)

- (c) State the capital adequacy norms stipulated by RBI.
- (d) Discuss the risk management process of banks.
- (e) What is hybrid security ?
- (f) What are the differences between warrants and convertible debentures.
- (g) Discuss the key steps in securitisation.
- (h) Write short note on :
 - (i) Interest rate risk ;
 - (ii) Currency risk.
- (i) Explain in brief, covered interest arbitrage using suitable example.
- (j) State the steps involved in the hedging process.
- (k) State the features of interest rate swap.
- (l) State the reasons for the popularity of hybrid.

2. Answer any *four* from the following :

4×10

(a) Explain the terms :

- (i) Repo and Reverse Repo Rates ;
- (ii) Fixed and Floating rate ;
- (iii) Arbitrage and Speculation ;
- (iv) Collateralized borrowing and lending obligation.

$2\frac{1}{2} \times 4$

(b) Distinguish between :

- (i) Spot market and forward market ;
- (ii) Direct and Indirect Quotations.

(c) Describe the factors that have contributed to the growth of Financial Engineering.

(d) Describe in brief a model for the steps to be followed for new financial product development.

(e) Discuss probability of default, exposure at default and recovery rate in the context of credit risk management.

- (f) What are the different types of orders in the market for currency futures ? State the margin system followed in future trading.

5+5

[Internal Assessment : 20 Marks]
