



[Time Allowed: 2.30 Hours]

[Max Marks: 50]

Roll No: _____

Instruction: Students are required to write their Roll No. on the question paper. Writing anything other than the Roll No. will be treated as **unfair means**. For rough work, please use answer sheet.

Note: - Please be brief and relevant in your answers.
- Section C is compulsory.

Section - A

[There are 5 Questions in this section. Attempt any 3 Questions. Each Question carries 5 marks.]

[3x5=15 Marks]

1. A stock has a beta of 0.75 and an expected return of 13.0%. The risk free rate is 4.0%. Calculate the market risk premium and the expected return on the market portfolio.
2. Albert Dreiden wants to estimate the expected return on the market. He believes that the stock of the Herbert Materials Company is fairly valued, and gathers the following information:
 - Expected return for Hobart 7.50%
 - Risk free rate 4.50%
 - beta for Hobart 0.80

Based on this information, calculate the expected return for the market portfolio.

3. What is Capital market line and what is its relevance in risk management?
4. What is security market line and how it is influenced by the security beta?
5. Describe two prominent risks in Sugar Plant and one such risk in Integrated Steel Plant with brief measures for avoidance of such risks

Roll. No. _____

Section-B

[Note: Answer any 2 out of the 3 Questions given below. Each Question carries 10 marks]

[2x10=20 Marks]

1. An investor enters a short position in a gold futures contract at USD 318.60. Each futures contract controls 100 troy ounces. The initial margin is USD 5,000 and the maintenance margin is USD 4,000. At the end of the first day the futures price rises to USD 329.22. Please calculate the amount of the variation margin at the end of the first day.
2. You are the risk manager within an organization that is considering extending its operations beyond its base in the UK into other countries
3. A large international broking firm, aside from its traditional broking role, has a highly skilled risk management department and is able to provide assistance to their clients with other services.
 - a) Describe the various types of technical services that they are able to offer.
 - b) Explain the types of client information that the brokers would benefit from in order to provide appropriate assistance, guidance and advice.

CASE STUDY

Risk assessment for maintenance work in a factory

Setting the scene

ABC Engineering manufactures parts for the motor industry. The company employs 40 people on a site built in the 1970s.

The managing director reviewed the company's health and safety arrangements and found that although risk assessments for the production, storage and distribution of products were done and the necessary risk control measures had been put in place, no risk assessment had been done and recorded for maintenance work in the factory. The MD told the maintenance manager (the 'fitter') to do this risk assessment and to put its findings into practice.

Where possible, maintenance work at the factory is done in-house by the fitter. His main job is to support production by, for example, maintaining plant, machinery and tools and undertaking minor jobs on the building fabric. The company also uses outside contractors, for example for most building repairs, detailed repairs to machinery, and most electrical work and work on the LEV system. The fitter's job includes the selection of contractors and, with the works manager, the oversight of their work.

The fitter works out of a small workshop, which has some basic engineering machinery, a welding kit and secure storage for solvents and flammables. His work, however, takes him to all parts of the factory.

How was the risk assessment done?

1. To identify the hazards, the fitter: walked around all the areas where he and contractors may go, noting things that might pose a risk, and taking into account both HSE's guidance and those jobs that he or contractors may be required to do; talked through the issues with the safety representative, with supervisors and other members of staff to learn from their detailed knowledge of particular jobs and areas; and looked at the accident book to get information on past problems.
2. The fitter then wrote down who could be harmed by the hazards and how.
3. For each hazard, the fitter wrote down what was already being done to manage these, taking HSE's guidance into account. Where he did not consider existing controls good enough, he wrote down what else needed to be done to control the risk.
4. The fitter discussed the findings with the safety representative, with supervisors and with the managing director. He gave copies of the risk assessment to them, and pinned up a copy on the notice board. Then he put the findings of the risk assessment into practice. When each action was completed he ticked it off and recorded the date.
5. The fitter decided to review and update the assessment at least once a year, or at any time when major changes to the workplace occurred, or when any out-of-the-ordinary jobs needed to be done.

Discuss the 5 major risk of cold storage warehouse with the following things:

- a) *What are the hazards?*
- b) *Who might be harmed and how?*
- c) *What are you already doing?*
- d) *What further action is necessary*
- e) *Who will take the action*