

Mr. Vibhav Galadagekar
TYBMS – Finance
Sem V
Risk Management

The Insurance is a _____
Contract
Uncertainty
Peril
Hazard

Losses arising due to a risk exposure retained or assured is known as

Risk Reduction
Risk Financing
Risk Retention
Risk Sharing

Which of the following is not a problem with an interest rate forward contract? a)
Low interest rate b) default risk c) lack of liquidity d) finding a counterparty

The risk manager maybe able to identify the new ventures involved in____
Pure risk.
Group Risk.
Speculative risk.
Particular risk.

Uncertain events are broadly classified as _____.
Predictable and Unpredictable.
Possible and Impossible
Natural and Artificial.
Rare and Continuous

If RMIS has poor system documentation then the remedy is to provide
_____.
solid vendor account team
internal access to system expert
assessment in proper manner
clear and comprehensive specifications

The installation of heat or smoke activated sprinkler systems that are designed to minimize fire damage in the outbreak of a fire is an example of _____.

- Loss prevention
- Loss reduction
- Hedging
- Insurance

_____ is the extra payment done for administrative and capital cost.

- Premium
- Premium loading
- Interest
- Contingency

The principle of indemnity is applicable to _____ only.

- Life Insurance
- Personal accident insurance
- Suicidal case
- Property insurance

The ownership of ordinary company shares gives shareholders:

- A share in the management of the company
- A strong claim on the firm's assets in the event of insolvency
- A guaranteed rate of return
- The right to vote on specified issues concerning the company

The first step in risk management process is _____.

- Risk avoidance
- Risk Identification
- Risk Prevention
- Risk Evaluation

Which of the following is the last step in the risk management process?

- Insurance
- Review
- Risk evaluation
- Loss prevention

The risk which has three outcomes with possibility of gain is _____

- Pure
- Speculative
- Static
- Dynamic

Markowitz model presumes the investors are –

- Risk adverse
- Risk neutral
- Risk seekers
- Risk moderate

A price weighted index is an arithmetic means of –

- Current price
- Market price
- Future price
- Book price

Correlation coefficient exists between –

- 0 to 1
- 1 to 2
- 1 to 1
- 1 to 0

_____ are the risk management methods

- Insurance
- Hedging
- Derivatives
- All the above

The strategy pursued by the business firms to tackle risk by spreading into a number of business is _____.

- Diversification
- Centralization
- Risk Retention
- Financing

The risk that arises because of magnitude of cash flow due to change in output and input prices is known as _____.

Credit risk

Particular risk

Business risk

Price risk

You hold a portfolio of government bonds and you expect interest rates to fall in the near future. In order to take advantage of this you should now:

Hold the whole portfolio

Buy high-coupon bonds

Sell long-dated bonds

Buy short-dated bonds

A corporate bond is a corporation's written undertaking where it refunds the specific principle amount along with –

Premium

Interest

Security

Insurance

To avoid RMIS being obsolete provide _____.

solid vendor account team

internal access to system expert

standard software configuration

clear and comprehensive specifications

The process of reducing the level of risky activities firstly affect the frequency of losses is the strategy of _____.

Risk avoidance

Retention

Hedging

Other contractual risk transfer

The risk which arises because of change in major economic, social, cultural and political factors are _____.

Market Risk

Fundamental Risk

Speculative Risk

Dynamic Risk

When an event is stated to be possible, it has a probability between

_____.

Zero and One

Zero or One

None of these

Zero to One

Indian Tobacco Company is concerned that the company may be held liable in a court of law and forced to pay a large damage award. The characteristics of the judicial system that increase the frequency and severity of losses is known as

_____.

moral hazard

particular risk

speculative risk

legal hazard

The cause of loss or a contingency that may cause a loss due to nature is known as

_____.

Hazard

Peril

Risk

Uncertainty

Identification of sources of hazard will have to be done by the _____.

Production manager

Risk manager

Finance manager

General manager

The number of elements of uncertainty in most type of events is _____.

Three

Two

One

Five

The insurance plays a role in the economic development of the country in the following ways _____.

Releases capital for new investments

The job potential increases
Money collected is invested in infrastructure
All of the above

Malhotra Committee was appointed in
1993
1994
1999
2000

_____ is an agreement whereby the insurer agrees to indemnify the insured against marine losses.

Life insurance
Fire insurance
Marine insurance
Public liability insurance

_____ is a document which provides evidence of the contract of insurance

Proposal form
Policy form
Cover note
Certificate of insurance

All dynamic risks are _____.

predictable
Unpredictable
Possibility
Judgement

The main aim of risk Financing is to _____

Control the risk
Avoid the Risk
Spread the Risk
Financing the Risk

If the most impossible event is assigned a value of zero, then most inevitable event is assigned a value _____.

one

Between Zero and one
Between Zero to 10
Between 10 to 10

Which of the following types of risks best meets the requirements for being insurable by private insurers?

market risks
property risks
financial risks
political risks

The Risk Evaluation breaks into two parts. They are _____

The cause of loss and its affects
The probability of loss occurring and its severity
The loss due to any reasons
The risk and return

Having money available when it is needed is defined as the art of

Financial management
Risk management
Contingency fund
Surplus

Risk management is concerned with _____.

Planning
Arranging and controlling of activities
Managing of funds
Planning, arranging and controlling of activities

An 'open-end' investment fund is one which:

Allows anyone to invest in it
Publishes its asset portfolio regularly
Can invest in any type of asset that it chooses
Allows investors to withdraw funds on demand

An airline expands its fleet of planes just before a serious accident reduces the demand for its flights. This is an example of:

Specific risk
Systematic risk

Market risk
Capital risk

Corporate bonds have higher yields than government bonds because:

Corporate bonds have higher risk
There is a smaller market
Government bonds are inflation-proof
Firms can afford higher interest payments
They have longer maturities

Financial derivatives includes? a) Stock b) Bonds c) Future d) None of these

The disadvantage of swaps is that they a) Lack of liquidity b) Suffer from default risk c) Both A & B d) B only

Hedging by buying an option a) Limits gain b) Limits losses c) Limits gain & losses d) Has no limit on losses

All other things held constant premium on options will increase when the a) Exercise price increases b) Volatility of the underlying assets falls c) Term to maturity increases d) Both B & C

An option allowing the owner to sell an asset at a future date is a a) Put option b) Call option c) Forward option d) Future contract

The number of future contract outstanding is called? a) Liquidity b) Float c) Volume d) Turnover

Futures contracts are more successful than interest rate forward contracts because they: a) are less liquid b) have greater default risk c) are more liquid d) have an interest rate tied to the discount rate

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