



**FINAL EXAMINATION** **SET - 1**  
**MODEL QUESTION PAPER** **TERM – DECEMBER 2023**  
**PAPER – 20B** **SYLLABUS 2022**  
**RISK MANAGEMENT IN BANKING AND INSURANCE**

**Time Allowed: 3 Hours**

**Full Marks: 100**

**The figures in the margin on the right side indicate full marks.**

**SECTION – A (Compulsory)**

**1. Choose the correct option:** **[15 x 2 = 30]**

- (i) Which of the following is not a type of risk in the Banking Sector?
- Credit Risk
  - Operational Risk
  - Market Risk
  - Account Risk
- (ii) \_\_\_\_\_ risk is the potential loss due to changes in the value of a bank's assets or liabilities resulting from exchange rate fluctuations.
- Interest rate
  - Equity
  - Foreign exchange
  - Commodity
- (iii) The Asset-Liability Management (ALM) process rests on which of the following pillar/s?
- ALM Information Systems
  - Management Information Systems
  - Information availability, accuracy, adequacy and expediency
  - All of the above
- (iv) The objective of liquidity management is to \_\_\_\_\_.
- Ensure profitability
  - Ensure liquidity
  - Either of two
  - Both
- (v) A floating exchange rate are \_\_\_\_\_.
- Is determined by the national governments involved
  - Remains extremely stable over a long period



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- c. Is determined by the actions of central banks  
d. Is allowed to vary accordingly to market forces
- (vi) Bonds are \_\_\_\_\_.
- Fixed Income Securities
  - Permanent Income Securities
  - Fluctuating Income Securities
  - Matured Income Securities
- (vii) Exchange Traded Currency Future is \_\_\_\_\_.
- Derivative Contract
  - Future Contract
  - Option Contract
  - All of the above
- (viii) If you sold a short contract on financial futures, you hope interest rates will \_\_\_\_\_.
- rise
  - fall
  - are stable
  - fluctuate
- (ix) In foreign financial markets, the growth is represented by the factors such as \_\_\_\_\_.
- Savings in foreign countries
  - Investment Opportunities
  - Accessible Information
  - All of the above
- (x) Which of the following involves proportionate sharing of the insurance among more than one insurer?
- Premium
  - Cover note
  - Reinsurance
  - Co-insurance



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- (xi) The risk which arises because of change in major economic, social, cultural and political factors are \_\_\_\_\_.
- Particular Risk
  - Fundamental Risk
  - Speculative Risk
  - Dynamic Risk
- (xii) A General Insurance company is exposed to which of the following types of risks?
- Underwriting
  - Reinsurance
  - Operational
  - All of the above
- (xiii) Which of the following is not an objective of Actuarial Society of India?
- Restrict the advancement of actuaries in India
  - Facilitating research on the subject relevant to actuarial sciences
  - Opening avenues to promote communication between different members of the profession
  - Providing the necessary guidance for those studying actuarial sciences in India
- (xiv) \_\_\_\_\_ increases the frequency of loss.
- Peril
  - Subjective risk
  - Hazard
  - Objective risk
- (xv) Which among the following is not a pure risk?
- Personal risk
  - Property risk
  - Loss of income risk
  - Strategic risk



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**SECTION - B**

**(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)**

**[5 x 14 = 70]**

2. (a) List the key differences between Risk and Uncertainty. [7]  
(b) Demonstrate the types of Market Risks. [7]
3. (a) Discuss – Credit Default Swap and give some examples. [7]  
(b) Discuss how do you know if a company is at risk of going bankrupt? [7]
4. (a) The Basel Committee has identified some types of operational risk events as having the potential to result in substantial losses. – Discuss. [7]  
(b) International Banks provided following information about its-NPA account as on Mar 31, 2022.  
Total loans ₹ 40,000 Crores.  
Standard Accounts ₹38,000 Crores including Direct Agriculture and SME loans of ₹10,000 Crores.  
Sub-standard ₹800 Crores and out of which unsecured Sub-standard ₹200 Crores.  
Doubtful up to 1 Year ₹800 Crores and Doubtful above 1 year up to 3 years ₹200 Crores and Doubtful above 3 Years ₹120 Crores and Loss Accounts ₹80 Crores.  
All doubtful loans are fully secured.  
Based on the above information calculate the following:  
(i) Provision on general accounts.  
(ii) The amount of provision on sub-standard loan accounts.  
(iii) The amount of provision on doubtful loan accounts. [7]
5. (a) International Bank has paid up capital of ₹200 Crores, free reserves of ₹600 Crores, provisions and contingencies reserves ₹400 Crores, Revaluation Reserve of ₹600 Crores, Perpetual non-Cumulative Preference Shares of ₹800 Crores, and Subordinated Debt of ₹600 Crores. The Risk Weighted Assets for Credit and Operational Risk are ₹20,000 Crores and for-Market Risk ₹8,000 Crores.  
Based on the above information, determine the following:  
(i) The amount of Tier-1 capital.  
(ii) The amount of Tier-2 capital.  
(iii) The capital adequacy ratio of the bank.  
(b) List the roles of IRDA in insurance sector. [7]



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6. (a) Discuss the disqualifications of an Insurance Agent. [7]
- (b) Discuss the benefits availed by a Life Insurance Policy Holder. [7]
7. (a) Demonstrate the five steps to perform an effective risk assessment. [7]
- (b) In an insurance sector marketing risk management involves several steps that can help teams avoid some of these risks from the start or be ready to respond when they do arise – discuss. [7]
8. (a) International Bank has come out with a policy for its branches for acceptance of deposits and granting of advances. its branches have taken deposits and allowed loans as under:
- (i) One of its branches accepted a deposit of ₹10 Lacs. which is to double in 10 years. These funds have been invested by the bank in a 3 Years Bond carrying an interest rate of 13%. Which kind of risks the bank is facing?
- (ii) A branch has given a loan out of deposits at a floating rate. The rate of interest on deposit has been linked by the bank with 91 days treasury bill rate and for the loan, it is linked to 364 days treasury bill rate. What kind of risk it is?
- (iii) The bank has advised its branches that while sanctioning a term loan, they must put a condition that premature payment will not be accepted in any circumstances. By putting this condition, the bank has avoided which type of interest rate risk? [7]
- (b) The Term, whole life, endowment, annuity policies or the combination of policies are available in the market. The best policy is the one that best meets your financial needs. You have to select the policy according to your needs.  
Suggest suitable life insurance policies for the given situations:
- (i) You are at the age of 25. You just joined an organization. You are recently married. Now you cannot spend more on life insurance.
- (ii) You are the only earning member in your family. You purchased a flat by taking a loan from housing finance. As long as you are there you can pay EMIs regularly. You want to retain the house for your family members even in your absence.
- (iii) You are at the beginning of career; you want to combine both insurance and saving. But the combination of this saving and insurance is costly. Right now, you cannot invest much, having dependents and you want to invest later after settling in the career. [7]