4M1211

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M. B. A. IV Sem. (Main) Exam., June-July 2016
Finance
M-410 Financial Derivatives
(Major–I)

Time: 3 Hours

Maximum Marks: 70
Min. Passing Marks: 28

Instructions to Candidates:

(i)   *The question paper is divided in two sections.*

(ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is* **compulsory.**

(iii) *All questions carry* **equal** *marks.*

SECTION -- A

Q. 1 What do you mean by derivatives market? Discuss the different types of derivative tool prevalent in India.   [5+9=14]

Q. 2 (a)   Describe in detail the regulations of derivatives trading in India.   [7]

(b)   Discuss performance Guarantee Regulation.   [7]

Q. 3   Spot price of gold (04 gms) - ₹ 10,000

Interest rate = 8% per annum

Carrying cost – Nil

(a)   Calculate the future price of gold for delivery in 8 months from now.   [7]

(b)   If future price of this contract is ₹ 10,800 then what would be investor's strategy? ('e' = 2.71828)   [7]

Q. 4 How does a futures market operates and how does it facilitate the trade in industrial commodities. [4+3=7]

What are the consequences of replacement of futures contracts by options? Should option trading be encouraged or discouraged in commodity markets? [3.5+3.5=7]

Q. 5 (a) Discuss the structure of global swap market. [5]

(b) Differentiate between a regular credit default swap and a binary credit default swap. [4]

(c) Under what circumstances are a short hedge and a long hedge appropriate? Explain with examples. [5]

Q. 6 Write short notes on any two of the following: - [7+7=14]

(a) Types of forward contracts

(b) Credit risk and market risk

(c) Option's Greeks

(d) Put – calls parity

SECTION – B

Q. 7 ABC Ltd. sold its share currently at ₹ 80. Call option is available at strike price ₹ 76 for a period of 6 months. Calculate the value of call option given that the rate of interest of the investor is 12% and the standard deviation of the return of the share is 30% use Black and Scholes Model. [14]