

4M1211

Roll No. \_\_\_\_\_

Total No of Pages: 2

**4M1211**

**M. B. A. IV Sem. (Main / Back) Exam., April – May 2017**

**Finance**

**M – 410 Financial Derivatives**

**(Major – II)**

**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.*

1. NIL

2. NIL

**SECTION - A**

Q.1 Explain the concept of derivatives. Describe the key types of financial derivatives in India. [6+8=14]

Q.2 Critically examine the regulatory framework for derivative market in India. [14]

Q.3 “Both futures and forward provide an opportunity for speculation and hedging the risk. Yet to some extent these are different from each other.” Explain. [14]

Q.4 Write short note on the following-

- (a) Interest rate forward [5]
- (b) Zero coupon derivatives [5]
- (c) Currency options [4]

[4M1211]

Page 1 of 2

[860]

Q.5 (a) Spot USD-INR is ₹ 46.00 per dollar. The rate of interest in India is 6% p.a. and in USA it is 4% p.a., both the rates are with simple compounding. Calculate price of one year USD-INR futures. [7]

(b) Explain how combination is different from spread. [7]

Q.6 Explain with the help of a suitable example the mechanism of cross currency swap. [14]

### SECTION - B

Q.7 (a) Current market price of the shares of Go-Cool Ltd is ₹ 100 and a call option with exercise price of ₹ 120 with three months to expiration. It is expected that the spot price of these shares at the end of three months from now might increase by 60% of the current spot price or it might decline by 20% of the current spot price. Calculate delta-hedge ratio and interpret it. [7]

(b) The spot price of a share is ₹ 120 per share. A call European option with exercise price ₹ 135 for six months duration is being traded at a premium of ₹ 20 per share. A put European option with the same exercise price and same expiry is also being traded at a premium of ₹ 19 per share. If the risk free rate is 12% p.a. with simple compounding, show whether these premiums are at put-call parity or not? [7]