PVP 17

II MBA - II Semester – Regular/Supplementary Examinations
AUGUST - 2021

FINANCIAL DERIVATIVES

Duration: 3 hours   Max. Marks: 60

SECTION - A

1. Answer the following: **5 x 2 = 10 M**

   a) Derivatives definition.
   b) What are different types of underlying assets in options market?
   c) Meaning of Spread.
   d) Need of estimating volatility.
   e) Define Currency swaps.

SECTION – B

Answer the following: **5 x 8 = 40 M**

2. a) Demonstrate the features of interest rate futures.

OR

   b) Recall the concepts of index futures and futures on currencies.

3. a) Summarize the properties of stock options.

OR

b) Explain Mechanics of options market.

4. a) What are the best strategies of options market?

OR

b) How the options on indices trade in derivatives market?

5. a) Discuss about one step and two step binomial trees in options valuation.

OR

b) Explain the Black Schools model in options valuation.

6. a) Describe currency swaps and equity swaps available in derivative market.

OR

b) What are the techniques in credit default swaps?

SECTION-C

7. Case Study   **1x10=10**

X paid a premium of Rs. 5 per share for a 6 month call option contract (total of Rs.500 for 100) share of ABC Corporation. At the time of purchase ABC stock was selling for Rs. 57 per share and the exercise price of the call option was Rs. 56.

i) Determine X's profit or loss if the price of ABC's stocks is
Rs. 53, when the option is exercised.
ii) What is X's profit or loss if the price of ABC's stock is Rs. 63
when the option is exercised?