PVP 17

Code: 17BA4T6FA

II MBA - II Semester – Regular / Supplementary Examinations
JULY - 2022

FINANCIAL DERIVATIVES

Duration: 3 hours   Max. Marks: 60

SECTION - A

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

a) Forward and Future contract definition.
b) Types of Underlying assets.
c) Hedging importance.
d) Need of Black-School model.
e) Caps and floors meaning.

SECTION – B

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

2. a) Demonstrate the future and forward contracts.

OR

b) What is the risk and return scope of derivative market in India?

3. a) Summarize the mechanism of Options market.

OR

b) Differentiate the Warrants with Options.

4. a) Explain the strategies involved in trading the options.

OR

b) How the hedging strategies work to reduce risk in derivatives?

5. a) Discuss about causes for volatility in Derivatives Market.

OR

b) Explain the one step and two step binomial trees in options valuation.

6. a) Describe various currency swaps available in derivative market.

OR

b) What are the risk management techniques in swaps?

SECTION-C

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

Suppose the interest rate is 8% per annum in India and 6% per annum in the US. A swap bank has entered into a three-year currency swap, of 9% per annum in INR and pays a 6% per annum in US dollars once a year. The principal amounts are INR 900 million and USD 20 million. The current exchange rate is USD/INR 45. If the present value of cash flows associated with borrowing in the domestic currency, what would be the swap value?