II MBA - II Semester - Regular/Supplementary Examinations MAY 2017

FINANCIAL DERIVATIVES

Duration: 3 hours   Max. Marks: 70 M

SECTION-A

1 Answer any FIVE of the following: 5 x 2 = 10 M
   a) Financial and commodity derivatives
   b) Mechanics of option markets.
   c) Currency Options.
   d) Pricing of futures.
   e) Forward price
   f) Short selling.
   g) Equity Swaps
   h) Pay offs

SECTION – B

Answer the following: 5 x 10 = 50 M

2. a) "Futures contracts are improvised forward contracts" Do you
      agree? Explain.

(OR)

   b) Discuss the structure of OTC derivatives market in India.

3. a) Write the factors affecting the price of the option contract.

(OR)

   b) What factors are important in determining the investment appeal of warrant?

4. a) Explain various Strategies using options.

(OR)

   b) Explain the difference between hedging & speculation. Give an example of a short hedger and long hedger.

5. a) Discuss the Binomial model for the valuation of options. Why is called binomial?

(OR)

   b) Explain the causes of Volatility.

6. a) How can an interest rate coller be created? Explain.

(OR)

   b) Write the importance of credit Derivatives.

SECTION-C

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

From the following data, obtain the call and put option values based on Black & Scholes' formulation:

Stock Price   = Rs. 206
Exercise price   = Rs. 200
Time of expiration   = 47 days

Standard deviation of the continuously compounded rate of return on stock = 0.26
Continuously compounded rate of return = 8%
Also obtain the values of various greeks.