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Code No: 724AH JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD MBA IV Semester Examinations, December - 2019 FINANCIAL DERIVATIVES

Time: 3hours

Note: This question paper contains two parts A and B. Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A 5	5 × 5	5 Marks	= 25
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1 a)	Explain types of derivatives	[5]
h)	What are interest rate futures?	[5]
0)		[5]
C)	Explain principles of option pricing.	[5]
d)	Explain briefly the functions of MCX.	[5]
e)	What are currency swaps?	[5]

PART - B

5 × 10 Marks = 50

[5+5]

Max.Marks:75

- 2.a) Explain the fundamental linkage between spot and derivative markets.
- b) An investor enters into a short forward contract to sell Rs.100,000 for US dollars at an exchange rate of Rs.70.25 per US dollar .How much does the investor gain or lose if the exchange rate is the end of the contract is i) 70.12 and ii) 70.35 [5+5]
- 3.a) Discuss the role of derivatives market.
- b) What are the uses of derivatives? Explain.
- 4.a) Explain the structure of Forward and Future Markets.
- b) The expected return on the Index is 12% and the risk free rate is 5%. What is the expected return on an investment with a beta of i) 0.2 ii) 0.5 and iii) 1.4? [5+5]

OR

- 5. The risk-free interest rate is 6% per annum with continuous compounding and that the dividends yield on a stock index is 4% per annum. The index is standing at 400 and the futures price for a contract deliverable in four months is 405. What arbitrage opportunities does this create? [10]
- 6. A company has granted 500,000 options to its senior executives. The stock price and strike price are both INR 400. The options last for 12 years and vests after 4 years. The company decides to value the options using an expected life of 5 years and volatility of 30% per year. The company does not pay any dividend and assume the risk free arte to be 4%. What will the company report as an expense for the options on its income statement? [10]

OR

- 7.a) Explain the structure of options market.
- b) How options are to hedge? Explain.

[5+5]



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8.a)	Discuss about the various types commodity derivative.	
b)	Explain commodity swaps with examples.	[5+5]
	OR	
9.	Explain the role and functions commodity exchanges in derivatives trading.	[10]
10.a) b)	How swap markets are evolved? Explain. What are the features of swap?	[5+5]
	OR	
11.a)	What are the major types of swaps? Explain.	
b)	Explain about credit risk in swaps.	[5+5]

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