

Code: 14E00403

MBA IV Semester Regular Examinations June/July 2016

FINANCIAL DERIVATIVES

(For students admitted in 2014 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

Answer the following: (05 X 10 = 50 Marks)

1 Explain the uses of financial derivatives.

OR

2 Narrate the role of derivatives markets in detail.

3 Discuss the structure of forward and future markets.

OR

4 Write short notes on: (a) Assumptions notations in determination of forward prices.
(b) Forward price of an investment asset.

5 Explain the structure of option market.

OR

6 Discuss the Black-Scholes option pricing model with suitable examples.

7 Define the term hedging with option. Discuss with suitable examples.

OR

8 Compare and contrast between vertical horizontal and diagonal spreads in option trading.

9 What is interest rate swap contract? Discuss the various features of a interest rate swaps with suitable examples.

OR

10 Discuss in detail on commodity swaps.

SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

11 **Problem:**

Consider the following:

Spot price of gold (10 grams) = Rs. 30,000

Futures price of gold (for delivery in six months) = Rs. 31,500

Interest rate = 8% per annum

Carrying cost = Nil

Calculate the gain/loss in above transaction.
