

Reg. No: 

--	--	--	--	--	--	--	--	--	--

**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR  
(AUTONOMOUS)**

**MBA II Year II Semester Regular Examinations September 2020**

**FINANCIAL DERIVATIVES**

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer all Five Units 5 x 10 = 50 Marks)

**UNIT-I**

1 Explain the merits and demerits of financial derivatives 10M

**OR**

2 Bring out the historical development of financial derivatives. 10M

**UNIT-II**

3 Calculate the forward price on a 6-month contract on a share, expected to pay no dividend during the period, which is available at Rs 75, given that the risk-free rate of interest to be 8% p.a compounded continuously. 10M

**OR**

4 Define margin requirements for futures? Discuss the types of margin requirements. 10M

**UNIT-III**

5 Explain the principles of option pricing. 10M

**OR**

6 Describe the strategies for hedging with options. 10M

**UNIT-IV**

7 Critically examine the pros and cons of options trading in India. 10M

**OR**

8 Define spreads? What are the types of spreads? 10M

**UNIT-V**

9 Write an essay on Indian swap market. 10M

**OR**

10 Explain the concept and nature of swaps. 10M

**SECTION – B**

(Compulsory Question)

11 1 x 10 = 10 Marks

Option on ABC500

Stock Price =Rs120

Call exercise price=Rs 100

Exercise date= 6 months

Estimated standard deviation=30%

Risk free return=8%

Determine call option price of the stock as per Black schools model.

\*\*\* END \*\*\*