

O.P.Code: 20MB9045

R20

H.T.No.

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

MBA II Year II Semester Regular & Supplementary Examinations August-2023
FINANCIAL DERIVATIVES

Time: 3 Hours

Max. Marks: 60

SECTION – A

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

UNIT-I

- 1 What do you mean by derivatives? Explain types and role of derivatives. CO1 L1 10M
OR
2 a Discuss the growth and development of derivatives. CO1 L2 5M
b Explain the merits of financial derivatives? CO1 L2 5M

UNIT-II

- 3 a Differentiate forward from futures. CO2 L2 5M
b Define the forward contract. Explain features of forward contract. CO2 L1 5M
OR
4 Consider a six month forwards contract on a security where 4 percent per annum continuous dividend is expected. The risk free rate of interest is 10 percent per annum .The assets current price is Rs 25 .Then we can calculate the forward price. CO2 L1 10M

UNIT-III

- 5 Discuss the various assumptions of binomial pricing model. Explain one step binomial pricing model with hypothetical examples. CO3 L2 10M
OR
6 If the spot price of a stock is Rs 60/- and strike price is Rs 68/-. Risk free rate of interest is 10% pa and standard deviation of stock is 40%. Expiration date is 3 months and option type is European option. Calculate the value of call option as per Black-Scholes model. CO3 L4 10M

UNIT-IV

- 7 a Explain the trading strategies followed in option market. CO4 L2 5M
b Explain the concept of fixed hedging. CO4 L2 5M
OR
8 Critically evaluate the hedging options portfolio in practice with latest developments in Indian derivatives market. CO4 L3 10M

UNIT-V

- 9 Explain financial swap? Discuss the features of a swap contract with example. CO5 L2 10M
OR
10 What do you mean by equity swap? Explain its types and applications? CO5 L3 10M

SECTION – B

(Compulsory Question)

- 11 The spot price of wheat is Rs 430 per ton a person has sold a forward contract on wheat expiring in 5 months and the contract is for 400 tons of wheat the price of the forward contract is Rs 415. Assuming the risk free rate to 5% compute the value of the forward contract. 1 x 10 = 10 Marks

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