Q.P.Code: 20MB9045	R20	H.T.No.									

SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR

(AUTONOMOUS)

MBA II Year II Semester Regular & Supplementary Examinations April-2026

FINANCIAL DERIVATIVES

Time: 3 Hours **Max. Marks: 60**

SECTION – A

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

UNIT-I

1	a	Expalin the historical growth and development of derivatives.	CO1	L2	5M
	b	Discuss the objecitves of derivatives.	CO1	L2	5M
		OR			
2		Explain the differences ampng hedging, speculation and arbitrage in finance.	CO1	L2	10M

UNIT-II

3	a	What is a forward contract? Discuss its main features.	CO2	L2	5M
	b	Explain the structure of forward and futures markets.	CO2	L2	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	L3	10M

UNIT-III

5	a	What do you mean by option and option contract?	CO3	L2	5M
	b	Explain the different types of options.	CO3	L2	5M
		OR			
6		Describe the basic terminologies of options market and analyze the participants involved in the options market.	CO3	L4	10M

UNIT-IV

7	a	Explain the trading strategies followed in option market.	CO4	L2	5M
	b	What do you mean by spreads? Discuss the different types of spreads.	CO4	L2	5M
		OR			
8		What is a currency options market? Describe its key features and illustrate with an example.	CO4	L2	10M

UNIT-V

9		Describe swaps and swap contracts. Explain their nature.	CO5	L4	10M
		OR			
10		Write a detailed note on evolution of swap market.	CO5	L2	10M

SECTION – B

(Compulsory Question)

11 1 x 10 = 10 Marks

S=90, Standard deviation =25%, r=10%,K=80,t=1 year. Calculate value of call option as per Binomial option pricing model.	CO3	L4	10M

*** END ***