Reg. No:

SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)
MBA II Year II Semester Regular Examinations July-2021
FINANCIAL DERIVATIVES

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

SECTION – A
(Answer all Five Units **5 x 10 = 50** Marks)

UNIT-I

1		Define the term Derivative? What are the features of derivative? Explain.	**L2**	**10M**
		OR		
2	**a**	Write a brief note on evaluation of derivative markets in India?	**L2**	**5M**
	b	Explain the uses and misuses of financial derivatives?	**L2**	**5M**

UNIT-II

3		What do you mean by Forwards and Futures and explain their major differences?	**L2**	**10M**
		OR		
4		The spot price of wheat is Rs 330 per ton a person has sold a forward contract on wheat expiring in 5 months and the contract is for 300 tons of wheat the price of the forward contract is Rs 315. Assuming the risk free rate to 4% compute the value of the forward contract.	**L5**	**10M**

UNIT-III

5	**a**	What is Option? Explain different types of option.	**L2**	**5M**
	b	S=100, Standard deviation =25%, r=10%,K=50,t=1 year. Calculate value of call option as per Binomial option pricing model.	**L5**	**5M**
		OR		
6	**a**	Explain the distinction between options and futures contracts?	**L1**	**5M**
	b	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.	**L5**	**5M**

UNIT-IV

7	**a**	Discuss the basic of option strategies?	**L3**	**5M**
	b	What is currency option market? What are its features?	**L3**	**5M**
		OR		
8		Describe the strategies for hedging with options? Explain the concept of straddle and strangle.	**L2**	**10M**

UNIT-V

9	What is SWAP? Discuss the features of a swap contract with example?	L2	10M
	OR		
10	What is currency swap? Explain its features and also show the three step flow of currency swaps with examples.	L2	10M

SECTION – B

(Compulsory Question)

11 **1 x 10 = 10** Marks

If the spot price of a stock is Rs 40/- and strike price is Rs 49/-. Risk free rate of interest is 7% pa and standard deviation of stock is 30%. Expiration date is 4 months and option type is European option. Calculate the value of call option as per Black-Scholes model.

*** **END** ***