MB-124A

Sl.No. : **Total No. of Pages : 2**

Fourth Semester M.B.A. Degree Examination, June - 2023
(Non CBCS) (SLM Scheme)
MANAGEMENT
(Elective - A) Derivatives

Time : 3 Hours **Max. Marks : 80**

Instruction : All sections are compulsory.

SECTION - A

Q1) Answer any Five Sub-questions. Each sub question carries three marks. **[5×3=15]**

a) What is forward contract?
b) Who are arbitrageurs?
c) What is forward premium of discount?
d) Define a futures contract.
e) What is European option?
f) Explain terms spreads and open Interest.
g) What are commodity futures?

SECTION - B

Answer any four questions. Each question carries 5 marks. **[4×5=20]**

Q2) Explain the benefits of options.

Q3) Describe uses of Currency Swaps.

Q4) Explain terms

a) Strike price
b) Option premium
c) Expiration date

Q5) Describe different types of derivatives.

Q6) Distinguish between short hedge and long hedge.

Q7) The interest rates in Germany and India are 4.5% p.a. and 10.75% p.a. respectively. If the euro-rupee spot exchange rate is Rs. 65.25/euro. Calculate the 120 day forward exchange rate.

SECTION - C

Answer any three questions. Each question carries ten marks. **[3×10=30]**

Q8) List and explain the functions of futures markets.

Q9) The spot and forward exchange rates of euro are quoted as follows.
Spot rate : Rs 60.1825/euro 4 month
forward rate Rs. 59.0535/euro
Calculate i) Forward premium percentage
ii) Forward discount percentage and explain the process of hedging.

Q10) Future Prices and forward prices of the same underlying asset with the same maturity are expected to diverge from each other. "Discuss".

Q11) Describe the activities of hedgers speculators and arbitrageurs in commodity futures market.

Q12) Explain "Black and Scholes" model of option pricing.

SECTION - D

Q13) Case (Compulsory) **[1×15=15]**

Suppose the current level of NIFTY is 4200. There are 30 days to maturity of the NIFTY futures contract. The interest rate on followings is 11.5% p.a. the estimate rate of dividend on the NIFTY portfolio is 7.5% p.a.

Question :

a) Calculate NIFTY futures price.
b) What are the hedging opportunities using futures contract.
c) What would be an optimal hedge using this contract.

